DOCUMENT RESUME

ED 156 381 RC 010 569

TITLE	Economic Problems of Rural America. Hearings Before the Subcommittee on Economic Growth and Stabilization of the Joint Economic Committee, Congress of the United States, 95th Congress, 1st Session (June 7 and 15, 1977).
INSTITUTION	Joint Economic Committee, Washington, D.C.
PUB DATE	7 Jun 77
NOTE	203p.; Not available in hard copy due to small print size of original document
EDRS PRICE	MF-$0.83 Plus Postage. HC Not Available from EDRS.
DESCRIPTORS	*Economic Development; Education; Energy; *Federal Legislation; *Federal Programs; Financial Support; Health; *Hearings; Housing; Problems; *Rural Development; Transportation; Water Resources
IDENTIFIERS	*Congress 95th

ABSTRACT

The purpose of the two-day hearings (Senator Lloyd Bentsen of Texas presiding) was to provide a forum to examine the whole range of rural economic problems and to educate members of the House and Senate as to the seriousness and need for comprehensive rural development programs. The proceedings contain remarks and prepared statements by the following witnesses: John C. White, deputy secretary of agriculture; Lester Anderson and Robert McNichols, National Association of Counties; John S. Ladd, Mohawk Valley Economic Development District, Inc.; Luther Tweeten, professor at Oklahoma State University; Congressman John B. Breckinridge of Kentucky and Frank G. Tsutras, Congressional Rural Caucus; Mary Walker, National Rural Center, Austin, Texas; Congresswoman Virginia Smith of Nebraska; Robert D. Partridge, National Rural Cooperative Association; David A. Witts, lawyer, Dallas, Texas; and Paul F. Noll, Housing Assistance Council, Inc. Recurrent themes are housing, loans, health, transportation, education, economic development, energy, water, and federal programs. (RS)

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ECONOMIC PROBLEMS OF RURAL AMERICA

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HEARINGS
BEFORE THE
SUBCOMMITTEE ON
ECONOMIC GROWTH AND STABILIZATION
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
NINETY-FIFTH CONGRESS
FIRST SESSION

JUNE 7 AND 15, 1977

Printed for the use of the Joint Economic Committee

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
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U.S. GOVERNMENT PRINTING OFFICE
96-243 WASHINGTON : 1977

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

RC 010569

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ECONOMIC PROBLEMS OF RURAL AMERICA

TUESDAY, JUNE 7, 1977

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON ECONOMIC GROWTH
AND STABILIZATION OF THE
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:03 a.m., in room 1202, Dirksen Senate Office Building, Hon. Lloyd Bentsen (cochairman of the subcommittee) presiding.

Present: Senator Bentsen; and Representatives Long and Rousselot.

Also present: William R. Buechner, G. Thomas Cator, and Debbie Norelli, professional staff members; Mark Borchelt, administrative assistant; and M. Catherine Miller, minority professional staff member.

OPENING STATEMENT OF SENATOR BENTSEN, COCHAIRMAN

Senator BENTSEN. The hearing will come to order.

This is the first of 2 days of hearings on the "Economic Problems of Rural America" that will be held by this subcommittee of the Joint Economic Committee.

Economic development in rural communities is a new concern for the Joint Economic Committee. In the past, this committee has concentrated on developing policies to stimulate the overall growth of the national economy. When the JEC has concentrated on regional economic problems, it has focused almost exclusively on the problems of the big cities and urban areas. The JEC's work on national and urban economic problems has contributed, I believe, to an intelligent understanding of these problems and to progress toward a solution.

I want to bring the experience of this subcommittee to bear upon the economic problems facing rural America.

This is an important undertaking. Although urban areas in this country have serious problems, their problems really pale in comparison to those faced by residents of rural areas. In terms of housing, transportation, energy, jobs, income, and almost any other measurement of economic well-being, rural Americans are worse off than are urban Americans.

Let me give examples of that. In 1973, the median income of families living in nonmetropolitan areas was only 80.4 percent of the median income of families living in metropolitan areas. Among rural families, 14.4 percent were in poverty in 1974 compared to 10.2 percent in metropolitan areas. That means almost 40 percent more in the rural areas were in poverty as compared to the metropolitan areas. The rural people in this country just don't receive a fair share of the Nation's income and its purchasing power.

Virtually half of the local rural roads are described by the Department of Transportation as absolutely "intolerable" while the condition of many of the main rural highways is not much better.

In addition, the railroads have begun a widespread abandonment of rural rail lines, making the rural problems of getting their farm goods and lumber and mineral products to market even more difficult.

When it comes to housing, rural areas experience a very serious problem. We talk about trying to keep them down on the farm, trying to keep them from moving into the cities; and yet when we see the kinds of conditions that many of them exist in, then we understand the motivation for a move.

In 1970, there were 2.9 million rural houses that were dilapidated or lacked adequate plumbing. These substandard houses accounted for 15 percent of all rural housing compared to 5.5 percent of urban housing.

One of the reasons why rural areas do not receive an equitable share of the Federal assistance they so desperately need is that these rural areas don't have the high-priced lobbyists to come and work in Washington, the mayors who can get headlines or the media clout that has served metropolitan areas so well in Washington.

Congress and the administration don't hear about rural problems because rural areas are not so well organized; and we tend to forget that rural communities need help as much as urban communities do. As a consequence, our rural areas get cheated when we allocate Federal assistance.

A quarter of the Nation's population live in rural areas; but in fiscal 1975, rural areas received only 11.7 percent of employment and training funds under the Comprehensive Employment and Training Act, only 4.9 percent of Summer Youth Corps funds, less than 10 percent of FHA and VA insured housing loans, and 12.6 percent of defense contracts. That is far below the percentages for the urban areas.

Another factor that contributes to rural problems is that too many Americans think of rural areas only in terms of farms and ranches; but farmers make up only a small proportion of rural America. Our rural population also includes rural factory workers, groceries and retailers, homebuilders, businessmen, all having the problems of their urban counterparts without the clout in Washington.

If you really want to see what makes up some of the rural areas, go stand at a plant gate in Dangerfield, Tex., where you have a steel plant and see the number of pickup trucks that drive away, part-time farmers, people living in the rural areas of those communities.

The continued balanced growth of our economy requires that rural Americans share in that growth. Our rural areas have a great growth potential once they receive equitable treatment from the Government.

Today in Washington, D.C., even with the cool temperatures, those who came into this hearing walked through a substantial amount of pollution. One of the ways we can help in that is to disperse people across this great country of ours and make our rural areas more attractive.

The purpose of these hearings today and next Wednesday is to examine in some depth the major economic problems faced by the rural areas across this country and determine what Congress and the administration can do and should do now to foster balanced growth in our rural areas.

We are very fortunate in the witnesses that we have for these 2 days. These witnesses have an intimate knowledge of the conditions of rural America. Our leadoff witness is the Honorable John C. White, who is the Deputy Secretary of Agriculture, and former commissioner of agriculture of the State of Texas.

Following Secretary White, we have a panel of four witnesses, including the Honorable Lester Anderson, county executive of Blue Earth County, Minn.; Mr. John Ladd, executive director of the Mohawk Valley economic district, State of New York; the Honorable Robert McNichols, county administrator of Polaski County, Va.; and Mr. Luther Tweeten, regents, professor of agricultural economics, Oklahoma State University, Stillwater.

Secretary White, someone told me the other day that the State of New York has more people living in the rural areas than Texas.

Secretary White.

STATEMENT OF HON. JOHN C. WHITE, DEPUTY SECRETARY OF AGRICULTURE

Mr. **White.** Mr. Chairman, thank you.

Senator **Bentsen.** Is that true?

Mr. **White.** As commissioner of agriculture, I always said we have more farms and farm families than any other State in the Union. I stand by that statement.

Some New Yorkers might say Texas is just an outlying State, but nobody can outlie a New Yorker, you know that. [Laughter.]

Senator **Bentsen.** We are very pleased to have you here.

Mr. **White.** Mr. Chairman, thank you very much for this opportunity. I would like to say that you have stated the case very well in your opening presentation.

My testimony in very many ways will be a reaffirmation of some of the things that you have just pointed out.

I would like to say we do have economic problems in rural America despite the fact that we contribute to the Nation's economy some $110 billion of gross income. In many cases, this is not spread evenly nor is it equally shared in the overall economy. We do find particular areas of extremely depressed economic activity and lifestyle.

Senator **Bentsen.** Mr. Secretary, we are having a little trouble hearing you.

Mr. **White.** I believe these are all working, Mr. Chairman.

Senator **Bentsen.** All right.

Mr. **White.** I will proceed, stating that we recognize the backbone of a strong rural America is a strong agricultural system. In most rural areas, farmers are the main source of economic activity for the community. We recognized this in our proposals and basic farm legislation. We are fully aware of the problems which farmers are having because of tight credit, extremely depressed grain prices and continually escalating production costs.

Our legislative programs are designed to give farmers much needed long-term economic stability—through price support loans, income support payments, farmer-held grain reserves, and expanded international trade efforts. They are also designed to insure that we have adequate domestic food supplies in times when our production is cut back by drought or other disaster.

Our basic programs must eliminate the boom-and-bust cycle which farmers have faced in the past—and generate sound economic growth for all parts of agriculture for the future.

Another initiative before Congress deals with the broad area of human nutrition and food assistance. Encouraging wholesome food consumption strengthens the markets for farmers' production.

I mention these programs in the context of a health agricultural system, because that is the base for a prosperous rural America.

In addition to these basic farm programs, we must support rural development efforts. I am here to state the commitment of President Carter and Secretary Bergland to help our rural citizens.

The Rural Development Act authorized a series of programs which would significantly improve the economic and social well-being of 60 million Americans who live in these rural areas. It also authorized the Secretary of Agriculture to coordinate all rural development activities throughout the Federal Government. This administration believes that it is necessary to place a great deal more emphasis on this most important function than has occurred in the previous administration.

We have proposed two broad objectives for rural development. They are to emphasize improved productivity and higher incomes for rural residents, and to target aid to reach higher levels of self-sufficiency—to achieve better availability of food, housing, sanitation, education, transportation, and medical care for all people, particularly our elderly and low income citizens.

To meet these objectives, there must be an adequately funded, comprehensive, and coordinated focus within the Department of Agriculture for the allocation and delivery of the necessary resources.

There are some alarming trends in rural America which we think can be reversed by sound rural development programs. Mr. Chairman, I think you pointed some of these out in your opening remarks. I would like to reiterate some of them.

For instance, we know in spite of an overall reversal in the tendency of rural people leaving for the cities, many rural counties are continuing to lose population.

In spite of employment growing faster in rural areas, job opportunities are more limited and wages are lower.

Even though median family incomes are rising faster in rural areas than in urban areas, rural families still make $3,000 less than their urban counterparts.

Even though rural, we know poverty is declining, there is a 50-percent higher rate of poverty in rural areas than in urban cities.

Even though rural areas account for only one-third of the Nation's houses, 51 percent of the substandard housing of America is in rural areas.

Frankly, Mr. Chairman, we need to find out the reasons for these alarming facts. We don't know now who is being bypassed in rural development programs, what the unmet needs are, where they are, how they vary by region, what community services are the most deficient, what private industry is doing in rural America—or what it should be doing, or what the quality of the existing services and facilities are, even if we can find out how many services exist. We stand ready to meet this particular challenge.

Last Friday, we met with President Carter and reviewed our budget priorities for fiscal year 1979. We received his concurrence to conduct jointly with the Office of Management and Budget a series of studies to help us determine how we can be more efficient and responsive to the needs of rural America. These won't be long, drawn out, delayed studies, Mr. Chairman. The President gave us a rather quick target date to come back to him with these particular studies.

We need information to evaluate what we are now doing—to determine what our programs should be in the future.

Even though we are not prepared to outline specific legislative proposals today, we do want to discuss some broad possibilities to strengthen rural development in areas which we don't believe were adequately addressed by the previous administration.

One is the financing area—Government loan guarantees, loans with no interest subsidy, and loans with indexed interest rates to stimulate the flow of private capital into rural areas.

This financial aid could be used to increase farm ownership and help more young people enter farming. It could extend home ownership to low income and our rural elderly who have marginal ability to buy a home. It could expand and diversify the employment opportunities in rural areas. It could be used for community facilities, or transportation.

A second possibility is the coordination and improved delivery of Federal programs in rural areas. The studies which we are doing, combined with what we already know about duplicating staffs and programs, make this an extremely high priority effort. We know that our small towns and cities cannot support the wide range of personnel necessary to deal with separate agencies for housing, water, sewage, business and industry financing, community facilities, planning, transportation, and health.

The Department of Agriculture has existing delivery systems for rural areas through several agencies including Farmers Home Administration, ASCS, and the Extension Service. They also have the added benefit of being familiar with the concerns and attitudes of our rural citizens.

A third potential in this area is in the targeting of grants to the poorest communities to assure that their elderly and low-income residents have needed services.

We believe these three areas have considerable potential. In the housing area alone, for each billion dollars loaned for residential construction, more than 44,000 jobs are created. Each time a new industry comes to a rural, economically depressed area, it creates new jobs in that area.

Targeting Federal assistance by using very specific noninflationary criteria can raise the economic activity of severely depressed areas. I might add this is one of the significant things we can do in these areas without inflationary impact in the overall national economy.

These possible efforts can actually reduce the drain on Federal and State Government budgets by bringing people into a productive role in our economy. The potential exists to reduce the costs of income maintenance programs for food stamps, health care, housing supplements, unemployment compensation, et cetera.

Another factor in favor of using several types of financial aid is the minimal cost to the Government. Only in the grant area is the Government cost equal to 100 percent of the assistance.

Senator **Bentsen**. Mr. Secretary, I must apologize. We have a vote on the floor. I will assign Congressman Long to preside.

Representative **Long** [presiding]. You may proceed, Mr. Secretary.

Mr. **White**. Thank you, Congressman Long.

Subsidized loans have only a small cost by comparisons, while subsidized loans and loan guarantees have almost no cost.

Another issue we must be concerned about in rural development is the need to be aware of the problems of growth-impacted communities. Aid which brings about too much development too rapidly can create serious economic and social problems. There are some rural communities which have experienced a 15-percent population growth rate and serious problems as they try to absorb that new population. Our review and future programs must guard against this.

Mr. Chairman, it is not possible to discuss comprehensive rural development without addressing energy and its relationship to our food production ability. We must examine the impact on all segments of our economy if we lose even a part of it, because of an energy policy.

There were news reports this past week that the water tables in portions of five Western States have dropped significantly in recent years. I am fairly familiar with this because of our situation in Texas. Substantial parts of these areas depend on irrigation to grow crops. The five States of Nebraska, Kansas, Colorado, Texas, and Oklahoma produce about 23 percent of the farm products in the United States. Geologists tell us—and have told us for a long time—we are taking water from underground sources faster than rain replaces it. There are some predictions that many Western areas—including the fertile Texas Panhandle region of our home State—may run out of irrigation water by the end of the century.

Right now there is considerable discussion about the merits of a coal slurry pipeline to move coal from Wyoming and other Western States to other parts of the United States. The argument is that this method is more energy efficient transportation than by rail. It is also contended that it is needed to help solve our energy problems. I think this is something in the overall context of rural development that we must examine.

The administration does support the concept of coal slurry pipelines, but with strong environmental safeguards.

Using water for a coal slurry to the detriment of water for agricultural irrigation is one issue which will receive full consideration from this administration in the formulation of its policy.

We appreciate the opportunity to appear before you this morning. I want to reiterate our commitment to be the lead department in efforts to strengthen rural America—to provide greater opportunities—and a better quality of life for all rural Americans.

I will be happy to answer any questions which you have.

Representative **Long**. Thank you, Mr. Secretary. You and Secretary Bergland are both well regarded on the Hill. I think with considerable justification. I know your record, and I know Mr. Bergland's, also.

As a Member of Congress who represents a largely rural district, I am vitally interested in your testimony. I am pleased Senator Bentsen called these hearings and that you are present today, together with our other four witnesses.

As I look at the way the problem has developed over the years, I think there is no question that the rural areas have not really been getting their share of Government programs. I have always believed that this is partly due to the geography of the situation; families live a mile down the road from each other, instead of right next door, or right on top of each other. We have never been able to devise a system of delivering services to these people. This is one reason why I was particularly gratified to see, in your statement, that you all are going to give this problem a great deal of consideration. I know Secretary Bergland is familiar with these problems.

Last year we tried in Congress and the year before, to give the Farmers Home Administration more money than it was willing to take, so that an adequate staff could be assembled. They had their problems. I am not being completely critical, although I don't think they moved as aggressively as they should under the prior administration.

I gather from your statement that you share that point of view?

Mr. WHITE. That is correct.

Representative LONG. The Farmers Home Administration, particularly that segment that is not basically agricultural per se, is extremely vital.

What is the status in regard to the appointment of an Administrator in the Farmers Home Administration and his confirmation?

Mr. WHITE. Mr. Gordon Cavanaugh is the designate currently aboard. The final processing for his name being submitted is completed and his confirmation has been accomplished.

Representative LONG. Mr. Cavanaugh's background has been basically in housing?

Mr. WHITE. That is correct.

Representative LONG. He was with some housing development group attempting to do something down in one of the very poor rural areas of my district.

Mr. WHITE. He has a very strong background in housing in depressed areas.

Representative LONG. In view of the constraints on money, and the general constraints against the development of new programing—and the constraints have grown with some justification—if you look at the litany of problems outlined in your statement, it is not a very optimistic picture, is it?

Mr. WHITE. We have some specific problems. Of course, I recognize and share the concern on budget restraints; but there are two factors involved in the budget.

One, of course, is outgo; but there is also one that affects it greatly, and that is income. I think our approach, our target meets this particular need, because we feel from the standpoint of targeting to the most severely depressed areas, we can have a significant economic impact without creating additional inflationary pressures and create economic activity that would offset the budget outgo. We had the opportunity to present this just last week to the President.

In our study that we will finish, we will go into detail on the exact impacts as it affects the budget on both sides, income and cost expenditures. We feel like the program that we present can balance out fairly well and have a net benefit to the United States in dollars and cents as well as the social implications that are involved.

Representative LONG. I was in Louisiana last week. I saw those little whirlwinds of dust that you usually see in the rural areas in August and September.

Mr. WHITE. That is true.

Representative LONG. I saw them last week. It caused me a great deal of concern as I drove down the road. I think that the long-range implications of the water problem that you outline is very serious.

What is the intermediate prognosis of that problem? What do the meteorologists and students of weather say? In your opinion, is this going to compound the basic economic problems we are encountering in the short range? I know this is true with respect to the area of the Far West, and what has happened in California. I was out there last winter and saw the snow markers up 12 feet in the area and that much snow. That was all. [Indicating.]

Snow is basically what they depend upon for their moisture. You point out the additional problem, that it has evidently moved further east from there.

My view, in simply talking to Members of Congress without doing a survey on it, just sort of looking at it and talking to people, is that water scarcity is pretty well spreading across the South at the present time.

Mr. WHITE. This is absolutely true.

Representative LONG. Is the drought problem likely to become a very serious one this year?

Mr. WHITE. Well, Congressman, the specter of drought is always with us in the Southwest, where I came from. So we always have that concern: When does the next one come? It always comes a little too quickly for us. The truth of the matter is that those who have not studied it deeply recognize that we do have droughts that spread significantly across the United States and other parts of the world on a rather periodic basis, maybe not predictable to the exact year, but certainly within certain rhythms that have occurred since we have been keeping weather records. Some climate technologists have been warning us throughout this decade that we were in for one of the major droughts of this generation.

Up until last year, they had been proven wrong. I presume if they keep predicting it, they are going to be right sooner or later. Certainly it looks like they are right for a good portion of the West, the Midwest, and now the Southeast and some other parts of the world, too.

Secretary Bergland has often expressed the fact that weather conditions have really more to do with the welfare of the American farmer and our food supplies than our budget proposals and our administration's initiatives. I am not sure that he is not right.

So while weather as we know it is largely uncontrollable, certainly anticipation and planning and conservation in meeting the needs of our constituents in our communities, assuming that we will not always have good weather is certainly a basic function of Government to participate in.

So to answer—a long answer to your question, we do have a national drought. It is a problem at this time. Water and conservation again has to have a high priority for us because it is my feeling, as I pointed out in my testimony, while we have an emergency situation as you know coming from an energy producing State, and being familiar with energy needs over a period of time, there is no question that we are in a crisis situation in the United States with our energy needs.

Many of us in agriculture, in the food business, have felt for several years not that food and water, agriculture and water—we are about where we were in energy some 8 or 10 years ago. Everybody thought it was going to be in there all the time, it was abundant, it was plentiful, we don't have to worry about it; it is relatively inexpensive for most Americans, not all but most. It will always be there.

The truth of the matter is, it will not always be there unless we take the steps to prepare for it. I hope we don't follow the path of our energy usage with our water and our agricultural base, because these are renewable resources, unlike petroleum. They can be preserved for future generations; but we have to do it. If we use it up, we use our water and food resources unwisely, particularly during these periods of stress, during drought as we have now, then we will have a situation in this country that will make our energy shortage look like a walk in a few years.

Representative LONG. As a matter of fact, the two problems compound one another.

Mr. WHITE. That is exactly correct.

Representative LONG. The long-range compounding of the energy problem by the drought problem could be more serious than an immediate bad winter like the last one.

Mr. WHITE. That is correct.

Representative LONG. Particularly when we look at the degree to which we are going to have to rely upon, perhaps shale, but certainly coal?

Mr. WHITE. Correct.

Representative LONG. And the necessity of water as a method of extracting, and probably, as you point out, the transportation of each of those items?

Mr. WHITE. That is correct.

Representative LONG. It seems nothing is simple anymore.

Mr. WHITE. It is not simple. It is going to be very difficult. The proponents who say we have easy solutions to these problems just really haven't thought them through, sir.

Representative LONG. There was an article last week in the Washington Post reporting on a study conducted by Labor Secretary Marshall for the Southern Regional Council when Mr. Marshall was still an economist at the University of Texas. The name of the study is "The Status and Prospects of Small Farmers in the South."

Have you had a chance to look at this study?

Mr. WHITE. I have not read his study, sir.

Representative LONG. It is really very interesting.

Mr. WHITE. Yes.

Representative **Long**. I did not read the entire study. I did read the story in the Washington Post last week, or the week before.

Mr. **White**. So did I.

Representative **Long**. He concluded basically, that the policy of the Department of Agriculture has contributed substantially to the outmigration over the years of these small farm families, in rural areas of the Southern part of the United States.

This policy, according to the study, "has extracted a disproportionately harsh toll on the small farms of the South." The report also stated, that without significant changes in farm policies, few nonwhite farm families are likely to survive in southern agriculture.

This is a major problem in my congressional district of a half-million people in south-central Louisiana, because of the time required to train people to do other things. While farm labor is very hard—and I have done a great deal of it myself in my life—it still is a meaningful occupation and provides meaningful jobs to people who are trying to work themselves out of menial types of labor.

Will you comment on these statements, please?

Mr. **White**. I find that at least the newspaper reports of the study that he did very interesting. I cannot disagree in the final results of the outmigration of the small farmer. I think I won't pinpoint specifically, though, the agricultural programs of the 1950's and the 1960's and up until the present time because we were caught up particularly in the 1950's with the concept that only the most efficient could survive. Our whole national policy for agriculture and everything else was that efficiency was the total concept that we should work for. Certainly it was an important part; but we did not understand the social implications of what we would do with people who were less efficient than others or who had less capital than others or who had less resources to compete in a totally efficient society.

As a result of these hardships, lack of jobs opportunities, lack of educational opportunities, we had an accelerated migration to the cities from our rural areas.

Your district, and where I come from in Texas, what we did not do, what we did not understand even though I think some people did point out that undereducated people with lack of resources, lack of capital, lack of training in rural areas were even less equipped to compete in a complex urban society in which they had been.

So that brings us to where we are now.

Representative **Long**. Many people in some of my rural areas do not have the sophistication that is required to apply for those programs that are available.

Mr. **White**. That is absolutely true.

Representative **Long**. I recognize that you are not yet prepared to recommend any specific legislative changes, and that you are committing yourself simply to a step-up of what was done in the past administration, and to the further expansion of the Rural Development Act, which we enacted in the Congress some few years ago?

Mr. **White**. That is correct.

Representative **Long**. What direction do you see this taking, in addition to the better delivery of services?

Mr. **White**. Well——

Representative LONG. I am speaking substantively now. What, substantively, do you think could be done in this regard that is perhaps not contemplated in existing legislation?

Mr. WHITE. We would like to see this concept targeted to specific depressed areas and the ability to use our resources on those designated areas to generate not only better living conditions to meet those specific problems that we point out in our testimony and that you are aware of but to bring those into the level of productivity in our society.

There are many of them in America; some in Louisiana, some in Texas, some throughout the South, the Midwest, or New England and portions of the West. We want to target and then put the total emphasis of our rural development program into those specific communities. This is something that has not been done in the past, to put the thrust and the initiative of rural development, as we see it, which involved the entire U.S. Department of Agriculture and other related agencies, into these targeted areas.

We think that concept will work. We think it has a favorable budget impact. We want to do it with some skills from the U.S. Department of Agriculture itself, but largely we want to do it with the people themselves through loans, guaranteed loans, some use of guaranteed loans, too. We want to target those specific areas.

Representative LONG. One of the things in that regard, Mr. White, that causes people who live in rural areas a great deal of concern is the evident reluctance of HUD, for example, to move into rural areas, even in those programs in which it is specifically authorized to so move.

Have you all attempted to coordinate any policy with HUD with respect to this matter?

Mr. WHITE. I am not aware of it, sir.

Representative LONG. It is a subject that needs some attention.

Mr. WHITE. I think so.

Representative LONG. They are afraid of it, in my opinion. They won't touch it. They move away from it.

You know, the President has spoken a great deal about reorganization of the Government. Have you all discussed yet the need for reorganizing the Department of Agriculture with respect to this problem of rural development in rural areas?

Mr. WHITE. Yes. I have been heavily involved personally in the reorganizational structure of the Department in order to meet the overall needs of the Executive order. I wanted to reorganize our own agency along mission lines and then, of course, to meet the needs of the overall executive reorganization effort of the total executive branch of the Government.

We call it mission—or function—I think this is the answer to your question. We are trying to bring all of these specific functions under the appropriate agency rather than have them fragmented among several agencies.

Representative LONG. Do you think you are going to get any more favorable attention with respect to a request for additional funds for rural development from the Office of Management and Budget and from the Executive—and from other agencies in the executive branch—than you have been getting from your request for policies for prices on grain and other farm products?

Mr. **White.** Well, we are going to be very vigorous in our presentations.

Representative **Long.** Have you determined yet whether you are going to ask for more money next year with respect to the development of the rural development program?

Mr. **White.** This will be part of the study that will be prepared before the budget.

Representative **Long.** You have not yet determined that, I gather?

Mr. **White.** The study will determine that which will be submitted by the budget presentation later in the summer.

I am corrected in one of the answers I gave. Mr. Darby informs me that just this past week, some of the people have been meeting with HUD on the very problem that was mentioned.

Representative **Long.** With respect to the question I raised on HUD's aggressively pursuing the programs it has for these areas.

Mr. **White.** The coordination within the areas in which we can work together.

Representative **Long.** I think it is something that has been there that HUD could do if it is willing to do it.

Mr. **White.** I am informed Mr. Hjort met with them just last week.

Representative **Long.** Well, thank you, Mr. White.

Senator Bentsen asked me to apologize for him. We are not the masters of our own fate, or our own time, here. When the bells ring, we act in many instances like Pavlov's dogs did; we began salivating and have to run.

He asked me to express his appreciation to you for the preparation of your statement.

Mr. **White.** I understand.

The Senator, of course, is my Senator and my personal friend.

I appreciate your questions.

Representative **Long.** Thank you, Mr. White.

Senator **Bentsen.** Our next witness is County Commisioner Lester Anderson.

Welcome to the subcommittee, Mr. Anderson.

STATEMENT OF HON. LESTER ANDERSON, COUNTY COMMISSIONER, BLUE EARTH COUNTY, MINN., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. **Anderson.** Thank you.

Senator **Bentsen.** I apologize for my absence. We reorganized the Senate earlier this year to cut down on the duplication of committees, the meeting of committees and working on the floor at the same time.

We have it down to where I only have to be three places at the same time.

Your prepared statements, if you summarize them, will be printed in the hearing record, gentlemen, without objection.

Mr. Anderson.

Mr. **Anderson.** Mr. Chairman and distinguished members of the Subcommittee on Economic Growth and Stabilization, we are most pleased for this opportunity to testify before you today on a vital subject, rural economic development. We are testifying on behalf of the National Association of Counties.

I am Lester Anderson, county commissioner of Blue Earth County, Minn. Also testifying today is Robert McNichols, county administrator from Pulaski County, Va. I might add as a county commissioner in the State of Minnesota, most of the counties have five county commissioners from each of the counties.

I have been a commissioner in Blue Earth County, the South Central part of Minnesota for some time. I am an active farmer and still live on the farm. I feel we do know something about rural development.

Mr. McNichols and myself serve on the Community Development Steering Committee of the National Association of Counties. That committee is responsible for establishing rural development policy for the national organization. Accompanying us is Elliott Alman, legislative representative for NACo.

I would like to thank your subcommittee for holding these hearings on this most critical issue for rural county officials. We are honored to be able to appear before you today and present our views on rural economic development.

Mr. Chairman, NACo is extremely concerned about the economic development needs and potentials of our Nation's rural counties. The problems of rural economic development are significant. They are known to the people of rural America. Unfortunately, all too often they are forgotten in the discussion of the needs of urban America.

One of every three Americans lives in a rural area, and more Americans live in rural counties than our 100 largest cities. Last year, our organization launched a rural partnership effort to achieve a "fair share" for rural Americans.

Mr. Chairman, we hope to emphasize a number of key issues before you today. We believe that the future economic development of this country involves both urban and rural areas; their fates are inseparably linked.

Our Nation's rural counties are strained by inflation, depressed tax bases, and increasingly costly demands for services. County governments must meet these demands, but we cannot do it alone. There is an intense need for assistance to stimulate economic development.

At the present time, in the State of Minnesota, in the south central part of the State, we have real estate taxes running somewhere between $10 and $15 an acre for the support of local units of government.

The response of the Federal Government has not been adequate. We recognize the difficulty to develop programs to serve the widely dispersed populations of rural areas. Compounding this, however, is the fact that most major employment training, and jobs programs concentrate their resources on the inner city; people in rural America not being close to having the opportunity for new job training or the opportunities of working in local industry do not have that opportunity.

The prime reasons for this inequity are:

One, lack of recognition and attention to the economic development needs of rural areas;

Two, inadequate funding levels to meet these needs; and

Three, need to inform rural communities of any assistance that is available.

We, in Minnesota, have what we call rural development commissions that try to help the rural communities fill out applications for assistance programs that are there. There are so few that are available to the local governments that sometimes it gets very depressing.

In any discussion of rural economic development, it is essential to recognize the wide range of concerns and their interrelationship. Business and industrial activity, the availability of utilities such as water and sewer, transportation, education, housing, and finance, are just a few of these factors. They all have an impact on economic development, and each cannot be considered in a vacuum.

Rural workers continue to experience chronic unemployment and underemployment. This is particularly true in rural areas. There are periods of the year when there are people that are underemployed and the opportunities are not there for them to make full use of their capabilities.

Farm mechanization and lack of jobs in the past created an exodus of rural peoples from the cities, a population trend that today is costly to urban and rural America alike.

Community facilities, water and waste disposal systems, and housing are all essential components to initiatives for rural economic development.

Where these services are not available, business and industrial growth will not take place. Sixty percent of our Nation's substandard housing is located in rural areas. It is estimated that 32,000 communities need water and sewer systems, a situation that is becoming critical due to the present drought.

In the State of Minnesota in the last year, many of the sections of our State did have a drought. We hang, at the present time, on a very thin edge. We have some of the smaller towns in the rural area that receive water from the rivers or from the lakes that are having real problems and are needing funds to help solve this problem.

The Rural Development Act of 1972 was enacted to revitalize the Nation's rural areas. At that time we were enthusiastic and hoped funding would come with the Development Act. This has not happened. We have, in fact, many, many cities in our rural areas and the townships and the various growth areas that have tried to apply for community development block grants that are available from HUD.

However, it is nearly impossible for any rural communities to qualify as the orientation program is toward urban rather than rural areas. Major urban areas can use HUD programs to assure reconstruction, development of water systems, streets and other utilities; but it is virtually impossible for rural communities to utilize HUD programs for such purposes because of the nature of project ranking criteria.

Recent drought conditions, deteriorating waste collection systems and an aging population are unable to contribute a proportion at cost to the construction or reconstruction of city systems contributing to the existing problems.

Title I of the Rural Development Act of 1972 would go a long way toward mitigating some of these problems. Less than 15 percent of rural communities in south central Minnesota requesting HUD block grant assistance can be funded.

That is one of the reasons we do need for assistance from the Farmers Home Administration.

The grants program of the Rural Development Act were envisioned as the bedrock of the entire effort to aid rural America.

The act authorized the following annual grant programs.

$300 million for water and waste disposal grants;

$30 million for water and waste disposal planning grants;

$50 million for business and industrial development;

$10 million for comprehensive rural development planning grants; and,

$7 million for rural fire protection grants. These grants total $397 million.

The full amount has never been appropriated. Last month, the House Agriculture Appropriations Committee recommended for fiscal year 1978, $250 million in grants for water and waste disposal systems, $10 million for business and industrial development, and $3.5 million for fire protection grants.

Mr. Chairman, this would be the highest level recommended to date. However, it is still inadequate when one looks at the extent of the need as evidence by the waiting list for water and waste disposal grants.

Nationwide, 3,740 communities are requesting over $338 million for grants and over $1.6 billion for loans. In my home State of Minnesota, there is a backlog of 66 applications for almost $5 million in grants and over $17 million for loans.

In our particular south central area in the State of Minnesota, we have had many, many requests for fire protection grants. In that particular area of the State, we have many volunteer fire departments that are inadequate to take care of the needs of serving the small towns and areas around them.

There is no place to get money; if there is, they haven't found it.

Mr. Chairman, the Senate Subcommittee on Agriculture Appropriations will meet on June 16. We respectfully ask that you recommend to that subcommittee that they appropriate the full funding level for the rural development programs for fiscal year 1978.

The Congressional Rural Caucus, with Mr. Long as a member, a group of 101 Congressmen, has recommended full funding. The caucus held extensive hearings with numerous governmental and interested groups before developing its recommendations. Adequate funding for water and sewer, housing, and other community facilities will stimulate economic expansion.

Mr. Chairman, the Rural Development Act contains a provision that I believe is an excellent example of the inequitable treatment afforded rural areas. The grants programs stipulate that they may only comprise up to 50 percent of project cost.

However, we need only look as far as HUD and EPA to see that these agencies provide grants of up to 100 percent and 75 percent respectively, to urbanized areas.

Furthermore, administrative guidelines for implementing rural development programs resulted in average grant levels of only 25 percent and 29 percent in 1975 and 1976. This has happened again and again where programs that were available for rural areas were not funded properly; or when money is available, it comes in at a very small proportion of the funding that is required.

We strongly recommend that these legislative barriers be removed and rural areas be treated equitably. The grant amounts should be increased to at least 75 percent.

We are enthusiastic about the new leadership of the Department of Agriculture and the Farmers Home Administration, and believe substantial progress will be forthcoming in assisting rural areas.

One final note on Farmers Home Administration. Over the past 5 years, great increases in responsibility for programs and financing has been placed on the agency. However, there has not been a commensurate adjustment to its staff. In many instances, in fact, staff levels were below pre-1972 levels.

We would request an increase in staff to a level of about 9,000 that we feel is necessary. We hope this level could be reached within the next 2 years.

I would now like to focus attention on the Economic Development Administration (EDA). This agency has played a key role in assisting rural counties through a variety of economic development programs.

While other agencies concentrated on city problems, EDA was always there to assist our rural counties. Our long and short range economic development problems were suited for the programs and economic development districts funded by EDA.

Mr. Chairman, we are concerned that the focus of this agency may be moving away from its traditional role in assisting rural areas. The EDA regulations for the new public works program, as well as recent agency initiatives, indicate a desire to provide greater assistance to cities.

It is our hope that the needs of urban and rural areas can both be met, and that assistance to rural areas will not be decreased.

EDA is the only agency specializing in the type of economic assistance that rural counties so desperately need. Over 1,800 counties now qualify for grants and loans, and the agency is unique in its ability to assist both local governments and private businesses in those areas.

This assistance to rural areas should be continued and expanded. While HUD and other agencies assist the cities, we have nowhere else to go. We therefore, hope that the Economic Development Administration will continue their job of serving the needs of rural counties.

A good transportation system is a vital link to economic development. Transportation provides access to producers, processors, markets, and consumers. However, a segment of this link is in danger. I am referring to bridges. Nationwide, 105,500 bridges have been identified as needing replacement or repair.

The Minnesota Highway Department has released figures indicating that 13,174 bridges in our State, 4,403 are deficient. In my home of Blue Earth County, 59 of 181 bridges fail to meet minimum standards. That is almost one out of every three bridges.

Using a State estimate of $70,000 per county bridge, it would cost us over $4.2 million just to bring these facilities up to minimum standards.

In our county, they are somewhat higher because we are at the lower end of the tributaries feeding into the Minnesota River. In Minnesota we have road restrictions on many of our county roads. We have three of the cities in my county that do not have year-round roads going into those cities.

They are restricted from March 20 to May 15. We have problems with the local elevators taking care of the needs of the rural area. In addition to this, it is obvious that they are not going to get any industrial growth of any type in a city that does not have year-round transportation.

Our county is presently desperatelly trying to meet this need by upgrading our own county roads into those cities at extremely high costs, running somewhere around $100,000 a mile to upgrade our present road into that particular small city to meet the standards necessary for some type of growth in the area.

The National Association of Counties urges your support of Federal funding programs to upgrade these bridges to stimulate economic development.

The need for adequate health and hospital facilities are critical to sustaining and enhancing the economic base of a rural community. Widely disbursed populations, large numbers of poor and elderly, and high infant and maternal mortality rates are experienced in rural areas.

Congress should continue to provide financial and legislative support to the rural health initiatives of the Department of Health, Education, and Welfare. This program, along with the National Health Services Corporation, helps rural counties improve their health care systems by providing trained medical personnel and coordinating health services.

In the State of Minnesota in the last year, we passed what is called the Community Health Act. Counties in our particular area and I am sure across the whole Nation are extremely interested in the delivery of health services—an efficient delivery of health services. We are joining together with other counties to help make these services available to our people.

I am going to skip some of this area and will summarize.

We do need housing in the rural areas. There are no funds for this to speak of at the present time. If we are going to have growth out there, people are going to have to have a place to live and a decent place to live.

In my time of living on the farm, I went through many of the times when we didn't have running water. Some people still don't have it. When it gets 30 below, I think you gentlemen know the problems that are created, and some of the health problems created along with that.

In summary, I would say the National Association of Counties recommends the following recommendations:

First, the funding and staff of the Farmers Home Administration should be increased. The Senate Appropriations Subcommittee on Agriculture will be meeting on June 16.

We request you to urge the subcommittee to recommend full funding of $397 million for the rural development grant and loan programs for fiscal year 1978.

Second, the rural development grant programs should be raised from 50 percent to at least 75 percent to cover a greater share of project cost.

Third, the Economic Development Administration should maintain its rural focus. Congress should provide the agency with increased funding to aid rural counties.

Fourth, the rural housing programs of the Farmers Home Administration should be extended at increased funding levels.

Fifth, support rural health initiatives to provide improved health care and trained medical personnel to rural areas.

Sixth, increase Federal support in absorbing the cost of bridge repair and replacement.

Seventh, cut Federal redtape and procedures for rural participation in Federal programs.

I would like to conclude by recommending a new administration directive in rural development. The extent of rural needs is such that we feel a definite policy should be articulated, at the highest Government levels, to revitalize our Nation's rural areas.

We call upon you to advocate such a policy, and we lend our full support to this effort. I would now like to turn to Robert McNichols, county administrator of Pulaski County, Va. Thank you.

Senator **Bentsen**. Thank you, very much, Mr. Anderson.

I think you made some salient points there that we will get to. I would like to give all the witnesses a chance to complete their testimony before we go to questioning.

Mr. McNichols.

STATEMENT OF ROBERT McNICHOLS, COUNTY ADMINISTRATOR, PULASKI COUNTY, VA., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. **McNichols**. Thank you, Mr. Chairman. I would like to note a few items.

First, I would like to commend Congressman Gillis Long for his efforts with the rural congressional caucus. He has been a supporter of that caucus and on the executive committee and has helped rural America considerably in his efforts.

Further, I would like to ask that this subcommittee support the Appropriations subcommittee of Congress who will consider funding of the Rural Development Act on June 16, 1977, and ask that they be supported in full funding of that Rural Development Act which will so greatly help rural communities in the United States.

Rural communities have multicomplex problems because of their lack of resources. Those problems are compounded now with drought. Those problems are further complicated by the lack of staff, not only in the Farmers Home Administration county offices but also in the county governments that must in fact deal with the complexities and the redtape which the bureaucratic mill grinds out here for us to consume.

I might note that in a rural county without a staff, it is nearly impossible to put together the necessary programs for the comprehensive economic development of a rural community or a rural county;

and there is a need for streamlining of the redtape in various Federal agencies.

It also should be noted that there is a need for more equitable treatment by such agencies as HUD and EDA and the Farmers Home Administration of rural counties.

To give you an example, the Farmers Home Administration, currently acting under the 1-percent rule, has certain criteria before you even become eligible for the maximum of 50-percent grants; where HUD has programs for a 100-percent grant under the discretionary grant program.

EDA has similar programs. We would ask that this subcommittee give consideration to modifying those requirements so that Farmers Home could be of more assistance to rural communities.

I might note, Senator Bentsen, that in your home State of Texas, rural communities are presently awaiting grants from Farmers Home some $30 million worth of grants.

In Mr. Long's district, there are $39 million worth of applications from 103 communities.

In my home State of Virginia, there are $67 million with 126 communities affected.

I should note that there needs to be a comprehensive effort made to work with Farmers Home Administration and the energy agencies concerning our drought problems in rural counties.

Even in my own county, we were eligible last year for the emergency relief program for feed for cattle because we are in a drought condition which is totally unusual for a county in Virginia.

There is also need for a solid waste program which was not mentioned earlier by Mr. Anderson in rural counties to make for the economic development, because industry and increased population does require the removal of solid waste.

The technology is not there in rural America yet for that problem.

Also, I might note in my home county of Pulaski County, we have 25 low-water bridges. For those of you that don't know what a low-water bridge is, that is a bridge that crosses a creek or a river and it is a fine bridge in dry conditions, but when it rains, it does flood and it becomes impassable.

Rural America has a great number of bridges that are either inadequate or are low-water bridges and need to be replaced for their development.

That would conclude my remarks. I thank you, very much.

Senator BENTSEN. Thank you, Mr. McNichols.

[The prepared statement, with attachments, of Mr. Anderson and Mr. McNichols on behalf of the National Association of Counties follows:]

PREPARED STATEMENT OF HON. LESTER ANDERSON AND ROBERT MCNICHOLS ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. Chairman and distinguished members of the Subcommittee on Economic Growth and Stabilization, we are most pleased for this opportunity to testify before you today on a vital subject, rural economic development. We are testifying on behalf of the National Association of Counties.[1]

I am Lester Anderson, county commissioner of Blue Earth County, Minnesota. Testifying with me is Robert McNichols, county administrator from Pulaski

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[1] The National Association of Counties (NACo) was founded in 1935 to improve county government, to act as a national spokesman for counties, to serve as a liaison between counties and other levels of government, and to achieve a public understanding of the role of counties in the federal system. These goals have essentially remained unchanged.

County, Virginia. Mr. McNichols and myself serve on the Community Development Steering Committee of the National Association of Counties. That committee is responsible for establishing rural development policy for the national organization. Accompanying us is Elliott Alman, legislative representative for NACo.

I would like to thank your subcommittee for holding these hearings on this most critical issue for rural county officials. We are honored to be able to appear before you today and present our views on rural economic development.

Mr. Chairman, NACo is extremely concerned about the economic development needs and potentials of our nation's rural counties. The problems of rural economic development are significant. They are known to the people of rural America. Unfortunately, all too often they are forgotten in the discussion of the needs of urban America.

One of every three Americans lives in a rural area, and more Americans live in rural counties than in our 100 largest cities. Last year, our organization launched a rural partnership effort to achieve a "fair share" for rural Americans.

Mr. Chairman, we hope to emphasize a number of key issues before you today. We believe that the future economic development of this country involves both urban and rural areas; their fates are inseparably linked.

Our Nation's rural counties are strained by inflation, depressed tax bases, and increasingly costly demands for services. County governments must meet these demands, but we cannot do it alone. There is an intense need for assistance to stimulate economic development.

The response of the Federal Government has not been adequate. We recognize the difficulty to develop programs to serve the widely dispersed populations of rural areas. Compounding this, however, is the fact that most major employment training, and jobs programs concentrate their resources on the inner city.

The prime reasons for this inequity are:

1. Lack of recognition and attention to the economic development needs of rural areas;
2. Inadequate funding levels to meet these needs; and
3. Need to inform rural communities of any assistance that is available.

In any discussion of rural economic development, it is essential to recognize the wide range of concerns and their interrelationship. Business and industrial activity, the availability of utilities such as water and sewer, transportaton, education, housing, finance, are just a few of these factors. They all impact on economic development, and each cannot be considered in a vacuum.

Rural workers continue to experience chronic unemployment and underemployment. Farm mechanization and lack of jobs in the past created an exodus of rural people to the cities, a population trend that today is costly to urban and rural America alike.

COMMUNITY DEVELOPMENT

Community facilities, water and waste disposal systems, and housing are all essential components to initiatives for rural economic development. Where these services are not available, business and industrial growth will not take place. Sixty percent of our nations substandard housing is located in rural areas. It is estimated that 32,000 communities need water and sewer systems, a situation that is becoming more critical due to the present drought.

The Rural Development Act of 1972 was enacted to revitalize the Nation's rural areas. The ambitious grant and loan programs envisioned in the act are administered by the Farmers Home Administration of the Department of Agriculture.

These programs hold out the promise of a new rural America. The promise is still there, although it has not been realized as yet. Inadequate funding, inequities in grant assistance, and administrative regulations have hampered the effectiveness of the program.

The grants program of the Rural Development Act were envisioned as the bedrock of the entire effort to aid rural America.

The act authorized the following annual grant programs: $300 million for water and waste disposal grants; $30 million for water and waste disposal planning grants; $50 million for busness and industrial development; $10 million for comprehensive rural development planning grants; $7 million for rural fire protection grants; and $397 million total annual grants.

The full amount has never been appropriated. Last month, the House Agriculture Appropriations Committee recommended for fiscal year 1978, $250 million in grants for water and waste disposal systems, $10 million for business and industrial development, and $3.5 million for rural fire protection grants.

Mr. Chairman, this would be the highest level recommended to date. However, it is still inadequate when one looks at the extent of the need as evidenced by the waiting list for water and waste disposal programs. Nationwide 3,740 communities are requesting over $338 million for grants and over $1.6 billion for loans. In my home State of Minnesota, there is a backlog of 66 applications for almost $5 million in grants and over $17 million for loans.

Mr. Chairman, the Senate Subcommittee on Agriculture Appropriations will meet on June 16. We respectfully ask that you recommend to that subcommittee that they appropriate the full funding level for the rural development programs for fiscal year 1978.

The Congressional rural caucus, a group of 101 Congressmen, has recommended full funding. The caucus held extensive hearings with numerous governmental and interested groups before developing its recommendations.

Adequate funding for water and sewer, housing, and other community facilities will stimulate economic expansion. Absent adequate facilities, many industries will have to close, especially in light of necessary and stringent State and Federal environmental controls. It is even more difficult to attract new economic activity to rural communities when essential services are lacking.

Mr. Chairman, the Rural Development Act contains a provision that I believe is an excellent example of the inequitable treatment afforded rural areas. The grants programs stipulate that they may only comprise up to 50 percent of project cost.

However, we need only look as far as HUD and EPA to see that these agencies provide grants of up to 100 percent and 75 percent respectively, to urbanized areas.

Furthermore, administrative guidelines for implementing rural development programs resulted in average grant levels of only 25 percent and 29 percent in 1975 and 1976.

We strongly recommend that these legislative barriers be removed and rural areas be treated equitably. The grant amounts should be increased to at least 75 percent.

We are enthusiastic about the new leadership of the Department of Agriculture and the Farmers Home Administration, and believe substantial progress will be forthcoming in assisting rural areas.

One final note on Farmers Home Administration. Over the past 5 years, great increases in responsibility for programs and financing has been placed on the agency. However, there has not been a commensurate adjustment to its staff. In many instances, in fact, staff levels were below pre-1972 levels.

In order to administer so ambitious a program as the Rural Development Act, there must be increases in staffing. The present ceiling on staff is 7,400. However, there are only about 7,100 people actually employed. It has been estimated by the Congressional rural caucus, the rural housing coalition, and other sources, that a staffing level of about 9,000 is necessary. We would hope this level could be reached over the next 2 years.

Mr. Chairman, I would now like to focus attention on the Economic Development Administration (EDA). This agency has played a key role in assisting rural counties through a variety of economic development programs. While other agencies concentrated on city problems, EDA was always there to assist our rural counties. Our long and short range economic development problems were suited for the programs and economic development districts funded by EDA.

Mr. Chairman, we are concerned that the focus of this agency may be moving away from its traditional role in assisting rural areas. The EDA regulations for the new public works program, as well as recent agency initiatives, indicate a desire to provide greater assistance to cities.

It is our hope that the needs of urban and rural areas can both be met, and that assistance to rural areas will not be decreased.

EDA is the only agency specializing in the type of economic assistance that rural counties so desperately need. Over 1,800 counties now qualify for grants and loans, and the agency is unique in its ability to assist both local governments and private business in those areas.

This assistance to rural areas should be continued and expanded. While HUD and other agencies assist the cities, we have nowhere else to go. We therefore, hope that the economic development administration will continue their job of serving the needs of rural counties.

TRANSPORTATION

A good transportation system is a vital link to economic development. Transportation provides access to producers, processors, markets and consumers.

However, a segment of this link is in danger. I am referring to bridges. Nationwide, 105,500 bridges have been identified as needing replacement or repair.

The Minnesota Highway Department has released figures indicating that of 13,174 bridges in the State, 4,403 are deficient. In my home of Blue Earth County, 59 of 181 bridges fail to meet minimum standards. That is almost 1 out of every 3 bridges.

Using a State estimate of $70,000 per county bridge, it would cost us over $4.2 million just to bring these facilities up to minimum standards.

Bridges are essential to the economic health and vitality of rural areas, yet rural counties such as my own cannot possibly fund the necessary costs alone.

The National Association of Counties urges your support of Federal funding programs to upgrade these bridges to stimulate economic development.

HEALTH

The need for adequate health and hospital facilities are critical to sustaining and enhancing the economic base of a rural community. Widely disbursed populations, large numbers of poor and elderly, and high infant and maternal mortality rates are experienced in rural areas.

In order to attract businesses and employers, rural citizens must receive improved health care. There is a shortage of trained medical personnel, caused in part by financial constraints on doctors and the scope of county health programs.

Congress should continue to provide financial and legislative support to the rural health initiatives of the Department of Health, Education and Welfare. This program, along with the National Health Services Corporation, helps rural counties improve their health care systems by providing trained medical personnel and coordinating health services.

HOUSING

Earlier in my testimony I addressed housing as an important need for rural areas. Lack of mortgage financing, high interest rates, and requirements of large down payments contribute to the housing problem.

Farmers home administration (FmHA) and the Department of Housing and Urban Development are the prime sources of housing assistance. FmHA has administered the most successful effort in this area. It is important that the FmHA housing program be continued and expanded at subsidized interest rates. I might add that FmHA programs experience an extremely low default rate, an indication of the program's success.

Good housing is a prerequisite for attracting new residents. I might add that the housing industry is extremely labor intensive. Therefore, government sponsored programs not only provide a needed service, but directly stimulate the economy and hire people.

SURVEY

In a recent survey conducted by NACo, rural county officials repeatedly cited the above factors as prime needs affecting rural economic development. Other points emphasized were the immense bureaucratic red tape and time required to participate in many programs. It is not necessary to require a county of 50,000 or less to follow the same procedures as a city of 5 million people in preparing an application. Procedures should be streamlined for smaller areas, thereby helping rural areas and federal officials alike.

SUMMARY

In summary, the rural economic development needs are extremely important to county officials. They include not only direct "economic" programs, but also involve related areas and services.

The National Association of Counties therefore recommends:

1. The funding and staff of the Farmers Home Administration should be increased. The Senate Appropriations Subcommittee on Agriculture will be meeting on June 16. We request you to urge the subcommittee to recommend full funding of $397 million for the rural development grant and loan programs for fiscal year 1978.
2. The rural development grant programs should be raised from 50 percent to at least 75 percent to cover a greater share of project cost.
3. The economic development administration should maintain its rural focus. Congress should provide the agency with increased funding to aid rural counties.

4. The rural housing programs of the Farmers Home Administration should be extended at increased funding levels.
5. Support rural health initiatives to provide improved health care and trained medical personnel to rural areas.
6. Increased federal support in absorbing the cost of bridge repair and replacement.
7. Cut federal red tape and procedures for rural participation in federal programs.

I would like to conclude by recommending a new administration directive in rural development. The extent of rural needs is such that we feel a definite policy should be articulated, at the highest government levels, to revitalize our Nation's rural areas.

We call upon you to advocate such a policy, and we lend our full support to this effort. I would now like to turn to Robert McNichols, County Administrator of Pulaski County, Virginia.

Attachments.

RURAL DEVELOPMENT ACT—WATER AND WASTE DISPOSAL GRANTS AND LOANS WAITING LIST AS OF FEB. 28, 1977

States	Grants	Loans	Total	Number of applicants
Alabama	5,533,600	21,886,000	27,419,600	105
Alaska	3,967,784	1,306,975	5,274,759	6
Arizona	157,300	8,793,900	8,951,200	18
Arkansas	6,120,650	36,866,400	42,987,050	127
California	33,031,842	66,126,221	99,158,063	184
Colorado	13,827,049	35,459,100	49,286,149	60
Connecticut	110,000	215,000	325,000	2
Delaware		591,000	591,000	2
Florida	5,619,890	74,078,347	79,698,237	43
Georgia	21,340,300	26,947,600	48,287,900	131
Hawaii	2,546,000	2,646,000	5,192,000	3
Idaho	748,423	2,500,908	3,249,331	16
Illinois	27,168,284	58,078,295	85,246,579	228
Indiana	8,836,000	31,289,800	40,125,800	54
Iowa	7,851,560	80,549,310	88,400,870	214
Kansas	9,820,518	15,933,298	25,753,816	103
Kentucky	23,963,674	44,585,420	68,549,094	152
Louisiana	6,515,860	32,708,448	39,224,308	103
Maine	3,320,000	12,501,000	15,821,000	35
Maryland		21,122,500	21,122,500	39
Massachusetts	363,000	455,000	818,000	2
Michigan	461,760	59,455,870	59,917,630	56
Minnesota	4,900,949	17,099,290	22,000,239	66
Mississippi	8,297,700	27,271,350	35,569,050	226
Missouri	11,286,627	36,498,135	47,784,762	200
Montana	2,612,200	4,395,000	7,007,200	25
Nebraska	282,600	2,060,200	2,342,800	13
Nevada	165,499	3,215,990	3,381,489	9
New Mexico	1,564,190	4,480,772	6,044,962	43
New Hampshire	2,156,000	3,162,000	5,318,000	11
New Jersey		75,316,200	75,316,200	43
New York	2,094,400	114,140,156	116,234,556	145
North Carolina		25,845,600	25,845,600	38
North Dakota	2,581,000	28,624,600	31,205,600	37
Ohio	18,081,600	36,797,300	54,878,900	111
Oklahoma	3,155,600	13,919,650	17,075,250	107
Oregon	7,387,307	5,309,397	12,696,704	43
Pennsylvania	18,665,100	83,202,960	101,868,060	130
Rhode Island		1,150,000	1,150,000	2
South Carolina	2,466,912	26,195,926	28,662,838	41
South Dakota	4,248,600	17,488,300	21,736,900	25
Tennessee	16,098,909	50,178,515	66,277,424	227
Texas	1,267,500	29,446,500	30,714,000	88
Utah	864,000	5,111,072	5,975,072	21
Vermont	830,000	1,710,000	2,540,000	6
Virginia	21,611,500	45,909,140	67,520,640	126
Washington	1,352,000	9,640,500	10,992,500	40
West Virginia	11,746,700	27,812,829	39,559,529	58
Wisconsin	8,972,075	8,030,172	17,002,247	90
Wyoming	3,614,420	3,247,620	6,862,040	25
Puerto Rico	1,069,600	5,619,000	6,688,600	23
Total	338,676,482	1,347,244,666	1,685,921,148	3,740

Resolution Concerning NACo Policy on the Utilization of Physician Extender Services

Whereas, there are over 1500 counties designated by the Secretary of HEW as medically underserved areas; and,

Whereas, there are over 2500 rural counties in America, many of which face severe physician shortages; and,

Whereas, Medicare, and in many states, Medicaid policies prohibit the reimbursement of nurse practitioners and physician assistant services; and,

Whereas, many state licensure laws do not recognize these health professionals; and

Whereas, the benefits of using physician extenders has been demonstrated in terms of quality and cost of patient care; and,

Whereas, many rural and underserved counties rely on the services of physician extenders for the delivery of preventive and primary health care services.

NACo urges that:

Congress pass the pending legislation that would provide for Title XVIII (Medicare) reimbursement of physician extender services to rural clinics (S708/HR2504).

Congress pass additional legislation extending physician extender services to medicare beneficiaries in urban underserved areas.

Congress amend medicaid legislation by adding physician extender services to the mandated primary care services under the Title XIX program.

State legislatures pass legislation recognizing these new health professionals allowing them to practice to the fullest extent of their competencies (i.e. without direct physician supervision).

The Department of Health Education and Welfare continue to stimulate the development of physician extender training and placement through administration of the National Health Service Corps and Bureau of Health Manpower programs.

Federal programs encourage the utilization and payment for all levels of health care providers.

Private health insurance companies change their current policies and allow for payment of physician extender services.

Adopted by the Health and Educational Policy Steering Committee.

Senator Bentsen. Mr. Ladd.

STATEMENT OF JOHN M. LADD, EXECUTIVE DIRECTOR, MOHAWK VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Mr. Ladd. I want to thank you for the privilege of appearing before the subcommittee, Senator, and honorable members of the committee. I have a prepared statement and would ask that it be put into the record. I also have a few comments to make for the record if I may.

Senator Bentsen. Without objection, it will be done.

Mr. Ladd. One of the problems I see, and in my testimony I picked out three small communities in my district. I cover a large part of upstate New York, a rural area with a heavy concentration of industry along the river bottom.

The rest of it is real rural. First of all, I would like to touch on the HUD program in nonmetro areas. The average that they have in the counties of my area is anywhere from $60,000 to $200,000 per county and usually one project will take all of that money.

We have hundreds of projects that are awaiting funding. There is no money there. I have six cities in my district comprising from 9,000 to 80,000, which is the city of Utica.

One of the big problems we find is that the FMHA and the HUD, whichever we are dealing with, requires so much documentation; and the cost of that documentation has to go to a consultant, in most instances. One little community of Broadalbin in New York, which has a debt limit of a little over $330,000 by State constitution, has already spent $62,000 in the last 10 years to submit applications for which they have never received any funding.

That community, as of yesterday morning, was cited by the State health department, and now they are boiling water there. I have letters in my documentation, showing that there is no grant money available because—one, the formula that FMHA has for small communities—their water bills are not high enough to meet the guidelines to allow them to apply for a grant. Based on that formula, they are not eligible for any grants.

I submit that I believe that when the Congress passes bills and the intent of Congress is clear, and there is no question of what they want to do, how they feel about helping rural America but then, the agencies take the bill and write the rules and regulations afterwards.

What comes out in those rules and regulations is nowhere near what Congress passed. This happens time and time and time again. I would like to see the day happen that when Congress passes a bill, that the rules and regulations be passed along with that bill; that the agency that is asking for the new legislation should have to stand on what is passed at that time.

In many instances, the rules and regulations come out a year after the bill is passed and it is nowhere near the original intent and maybe some of the Congressmen or Senators that passed it are no longer in office. The local public works bill is a good example.

I would also like to submit that if we are going to do economic development in the United States, I think the agency that should be able to handle it and handle it very well is the Economic Development Administration.

They are doing a fine job in rural America. They are understaffed. I sit here and hear the Agricultural Department and FMHA asking for more staff for a program that is not any larger than the Economic Development Administration. That agency is handling a program with 720 employees.

I can't understand why FMHA needs so much staff. What we need in the rural development program, actually, is more enthusiasm by the employees. I find no enthusiasm when I am talking with the county agent and also on a State or national level.

I know I am going out on a limb, but this is the way it is out there. I think it is time some of these agencies realize this and take a good hard look at some of their staff out there and shake them up, maybe transfer them, get new blood out there.

In my testimony, the man last week said, well, even if he did take a preapplication for review, it might sit in his briefcase for a month. If I had anyone working for me like that, I would fire him.

You can imagine sitting there with five village officials being told by the FMHA representative that the preapplication may sit in his briefcase a month or so before he gets a chance to look at it. It is very discouraging.

This is my testimony which I presented to you.

I also would like to talk about the loan programs for rural America briefly. The SBA loan program and the EDA loan program—they have some of the finest programs available. It is risk capital. It starts some good companies. I have been in industrial and economic development for several years. We have been able to interest foreign investment back into the United States. We just put a German company into the village of Cobbleskill. We also are bringing back three companies from South America that went to South America about 30 years ago in the leather industry.

They are coming back from South America for the simple reason of nationalization. There is not enough equity money available. Last year my district got a major portion of economic development business money.

We have become very experienced in working with the business loan programs. We received about 8 percent of the total amount of money out of the Economic Development Administration business development loan program this fiscal year.

That is a lot of money for our area, but not enough for the rest of the country. I will still continue to try to get that much for us. What I am saying is we should have hundreds of millions of dollars in the business loan program. There is no loss on it.

The Government loans the money at long-term, low-interest rates. It is the best program that I know of today in the United States for helping industry to expand in rural America.

I also have one more comment concerning the White House Conference on Balanced National Growth. So far the hearings that have been held, and there is being one held right now in Dallas starting today or tomorrow, they are concentrating on the large urban areas.

Unless some of these hearings are held in rural America, to get the feel of the rural people, we are going to be in trouble on our national growth programs in the next few years.

If you gentlemen have any influence on that, I believe that they should be held in rural America. HUD is holding the hearing in Dallas. If they continue to have them in the large cities, we are not going to be heard in rural America.

Thank you, very much, gentlemen.

Senator BENTSEN. Thank you, Mr. Ladd.

[The prepared statement, with attachments, of Mr. Ladd follows:]

PREPARED STATEMENT OF JOHN M. LADD

Honorable Members of the Joint Economic Committee: I am John M. Ladd, executive director of the Mohawk Valley Economic Development District, Inc. Our district is a private, non-profit corporation established in 1966 to develop jobs in a 5-county area of Upstate New York. The 5 counties are Oneida, Herkimer, Fulton, Montgomery, and Schoharie. The largest concentration of population is the city of Utica with approximately 80,000 persons. The population is down from 101,000 in 1960. (See attachment A.)

Most of our communities are small, rural villages, towns and hamlets. In total, we cover 80 towns and 49 villages.

Our 5 counties have a population of almost a half a million persons (476,800). The land area is 4200 sq. miles. The economy, with exception of the industrial commercial area along the Mohawk River is rural oriented. Approximately 25 percent of the land is actively agricultural.

My testimony today will cover three areas of considerable importance to rural areas, such as the one I represent.

First, the plight of the small community (500 to 5000 persons) faced with deteriorating infrastructures and no sources of funding.

Second, the need for loan money for high-risk businesses.

Third, the need for technical assistance for the small existing industries. (Specifically, research and development).

First, the small communities. We have a low density of population throughout our 5 counties. We do not have large numbers of industrial entities upon which to depend. To large extent we look to the industrial and commercial activities within small communities to sustain us.

Though individually, the economic impacts of these small units are negligible, together they act as a stabilizing force within our local economy.

When I was invited here, I was asked what could and should be done on a Federal level to foster a more balanced growth of our rural communities.

From what I have seen, there is a gross lack of available programs and funds to serve the small communities which stabilize our economy.

Within the programs that do exist, the amount of money available is meager.

The Village of Broadalbin in Fulton County is a recent example of a severely suffering community with its hands tied.

Broadalbin, like so many of our villages and towns in the rural United States, is crippled with deteriorating infrastructures. In this case, a water system constructed around the turn of the century cannot deliver sufficient water pressure for fire protection, industrial, commercial or home use. Because the water supply is insufficient, one of its local companies does not even have running water or indoor toilet facilities.

The village fathers came to us for help the last week in December 1976. Their primary concern was the unavailability of water if two fires were present simultaneously. One can sympathize with their concern as 1,200 lives are at stake. They have visions of a catastrophe like the one which took place several years ago when a sawdust plant caught fire and was not extinguished for three days.

The firemen were forced to use water from a nearby creek which was teeming with raw sewage. Luckily, the fire was outside the village proper so it did not spread endangering other lines and structures.

Within two weeks of learning of Broadalbin's severe problem, we submitted two preapplications to the U.S. Department of Housing and Urban Development under its program for non-metropolitan areas. The first preapplication for general purpose funds was rejected; our request for $300,000 was within a pool of requests for $15 million. Only $3.9 million was available within the upstate region.

The second preapplication was submitted under a new, special program which was designed to serve communities having an imminent threat to public health and/or safety. That is, if the situation was not rectified within 12-months time, there was a great chance of injury, health-wise or safety-wise.

Broadalbin met the criteria for funding. But because of lack of funds, HUD was unable to grant the necessary $300,000 for a new water system.

Out of the New York Area Office, only one project was funded which totalled a mere $292,000. Why? Because of the lack of funds available.

Next, we went to the Farmers Home Administration (FmHA) of the U.S. Department of Agriculture. FmHA has a loan and grant program for water and waste systems. Two weeks ago we met with the representatives from the village and from FmHA. The Farmers Home representative was not optimistic about funding for this fiscal year or next. He said that he could see funding available some time within the nxet 5 years. As far as he knew, there was very little money available this fiscal year for the waste and water program. Attached is a letter from FmHA dated May 3, 1977 to the Honorable Jacob Javits, Senator from New York, relative to fiscal year 1977 allocations and obligations of agency funds. (See attachment B).

According to this letter from New York State Director of FmHA, over $10 million is available for waste and water funds and over $6 million is available for three other FmHA programs for this fiscal year.

When this was brought to the attention of the FmHA representative, he qualified his previous statement and said that the State had approximately $180 million worth of requests, though he was not sure what portion of these requests were still actively seeking funds.

According to the FmHA representative, there was another problem with implementing the programs of the Farmers Home agency—too few FmHA personnel to process too many applications. The representative said that it took 30 to 45 days to review a preapplication, but it might sit in his attache case for 1 month or so because of his work load.

As you can imagine, the people of Broadalbin have near given up pursuing this route. In addition to the redtape involved, the village would be unable to afford a straight loan program without any grant aid. A loan to fund their water system plus their outstanding debts would exceed the constitutional debt limit.

Still determined to uncover some type of aid for the village, we turned to the Environmental Protection Agency to find out what programs were available here. A representative from the New York office said a $50,000 loan guarantee program for renovation of water systems was discontinued in June, 1976 because it was felt there were other agencies which could handle water needs.

We have pursued these routes all to no avail. To further frustrate the situation, during the time we were searching for funds for Broadalbin, I received a letter from the president of the Mohawk Furniture Company which employs approximately 100 people and is the largest employer in Broadalbin. He is concerned about the lack of water which may very well jeopardize any plans for expansion. New jobs do not come easy in the district, so you can understand my concern.

The Broadalbin case is typical of the majority of our rural communities which are beset with deteriorating and eroding systems. Whether it be water. waste or roads, the funds are not there. Within the community or on the governmental level. In many cases, the cost of the project exceeds the constitutional debt limit. (See atachment C.)

The survival of rural America itself is jeopardized. If we wish to maintain the diversity of life which the small towns, villages and hamlets offer all Americans, direct Government aid must be forthcoming.

Rural America deserves the same quality of life that all Americans cherish. It deserves the same opportunities for new commercial and industrial enterprises.

We need more grant programs to serve rural America.

Let's now talk about loans!

The shortest and most effective way to bolster economic development is with an effective loan program. We need to have a continual source of money available to small companies in areas like my own and this money must be available at as low an interest rate as possible and with as high a risk factor.

This certainly is not indicative of good banking but we are not in the business of banking, we are in the business of economic development. My district has had success in railroading because we have been able to get loan money from the Small Business Administration (SBA). We put together a Library Bureau Corporation in Herkimer County because of readily available EDA loan funds. We also had success with a German company coming into Schoharie County because of EDA loan money. Part of the success in the leather industry returning to Gloversville-Johnstown is because of SBA and EDA loan money availability.

Failures might be illustrated by a loan program that was put together for the Fowler Finishing Company in St. Johnsville, in Montgomery County. We almost lost this but we are in the processes of salvaging it and this is why I call these loans high risk loans because we are getting into areas that need a little extra consideration because banks do not feel they are secure enough but we feel we must take a chance to create or preserve jobs. I might point out because of our aggressiveness, we have cornered a greater share of the loan funds that are available for our Philadelphia regional office and I also get my share of the SBA money but this is not right because there should be enough money set aside for all the Nation.

In spite of the lion's share of the region's loan moneys our district's unemployment rate is over 10 percent.

We must have more money available for loans. I might point out that the SBA 502 program is constantly short of funds and SBA ends up offering a guaranteed loan. Most companies in our area cannot afford the high interest rates. These additional three or four points that are paid to banks are often the margin of profit that can make a company successful.

We should make money available at from 5 percent to 6 percent maybe even lower because if a company is going to be able to develop any profit incentive, this is the margin. It cannot be in business for the sake of paying off a high interest bank loan. All of our agencies are constantly short of good loan money. I see loan money as a sensible alternative to grants and I am certainly not against grants but I do say that we need to have enough funds in SBA and FmHA, EDA and every other governmental loaning agency to help our economy.

We need to keep up with the modernizing European and Asian production system and we can only do this by having money available to our small businesses that are the "bread and butter" of our economy so that they can make the necessary upgrading and production changes to keep abreast of the competitive world markets.

Finally, we must have technical assistance grant money available on a more flexible and timely basis that it has been heretofore.

Traditionally we have used the T/A funds for development of feasibility studies for our industrial parks. We have also used them quite extensively to expand our tourism. It was a T/A study and a follow up that provided the basis for the historical park service development of Fort Stanwix in Rome. These two grants for $80,000 resulted in a $6 million national monument and major tourist attractions such as the EDA funded Erie Canal Village.

We have also used T/A to evolve development strategies. In one case it was used for the development of marketing data for a small manufacturing firm.

The Technical Assistance Center has provided us the resource base of the State University at Platsburgh, New York to be mobilized for the benefit of economic development in our counties.

Our own operating or so called planning grant funds come from the Technical Assistance "Pot".

We propose a new integrated system of technical assistance fund disbursement which will enable the Districts to access small ($1,000—$2,500) to medium ($2,500 to $50,000) sized T/A grants without going to the Regional Office. These grants would be budgeted in advance to the district organizations. They would form the basis of a Quick Reaction Capability, (QRC).

The District Director would have discretion over the use of these funds. We hope they would be available for research and development that a small company might not be able to afford. They would also be used to analyze the feasibility of new loans to high risk companies and to defray interest costs.

This tandum program of loans and technical assistance grants through local development corporations will promote new research and development needed in existing small and new venture industries.

The district organizations through local development corporations would create technological review boards which together with the Technical Assistance Center would evaluate proposals for innovative products. The development corporations would then act as the grantee working closely with the company and the review board. The premise here is that our Districts most successful industries have been locally based. We wish to accelerate this trend through special assistance.

This can be used in tandum with a revolving loan fund and can result in reduced effective interest rates.

The key is developing the Quick Reaction Capability. This QRC will permit, through the Revolving Fund, the MVEDD to implement loans immediately without an extensive proposal process.

While these activities should be expanded, we must also look towards more innovative steps to provide jobs.

Attachments.

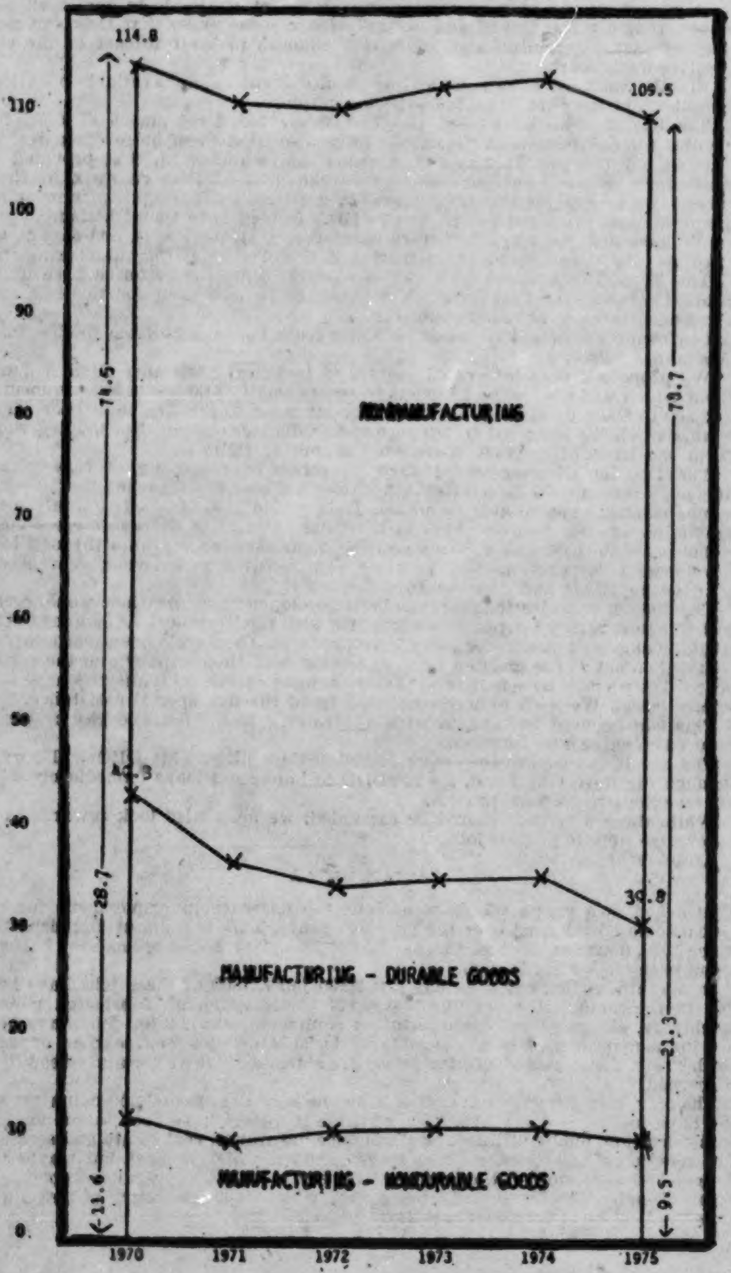
ATTACHMENT A

Attached is a graph which points out the decrease in employment for the Utica-Rome SMSA area over the past five years. This is a disturbing situation. Since 1970, our area has lost a total of 5,200 jobs. This decrease has been brought about in the following fashion.

In manufacturing, our area has lost 9,400 jobs. 7,300 of these jobs have been lost in the manufacture of durable goods (primary metal, fabricated metals, machinery, electrical and transportation equipment, etc.). 2,100 jobs have been lost in the manufacture of non-durable goods. This includes food, textiles, apparel, leather, etc. These manufacturing losses are alarming and we certainly need to be concerned.

The only bright spot in our economy has been in the area of non-manufacture. We have increased 4,200 jobs. 1,800 of these increases have been in the area of transportation, public utilities, retail, finance, insurance, real estate and services. The remaining 2,400 jobs has been in government which is good, but maybe not too good because most of the increase has been in CETA (government sponsored Comprehensive Employment Training Act) which is a temporary program and not an indication of permanent employment.

EMPLOYMENT -- HERKIMER-ONEIDA COUNTIES



ATTACHMENT B

U.S. DEPARTMENT OF AGRICULTURE,
FARMERS HOME ADMINISTRATION,
Syracuse, N.Y., May 3, 1977.

Hon. JACOB K. JAVITS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JAVITS: In response to your letter of April 25, 1977, the following information is provided relative to fiscal year 1977 allocation and obligation of Agency funds:

Water and waste disposal funds:	
Loan allocation	$18,505,000
Loans obligated—26	14,000,600
Balance of allocation	4,504,400
Grant allocation	6,986,340
Grants obligated—8	1,544,700
Balance of allocation	5,441,640
Community facility funds:	
Loan allocation	6,160,000
Loans obligated—23	3,135,000
Balance of allocation	3,025,000
Industrial development grants:	
Grant allocation	301,300
Grants obligated—4	261,300
Balance of obligation	40,000
Business and industry guaranteed funds:	
Loan allocation	9,470,000
Loans obligated—5	6,500,000
Balance of allocation	2,970,000

DAVID J. NOLAN,
State Director.

ATTACHMENT C

TYPICAL UNFUNDABLE PROJECTS

Municipality	County	Population	Project	Project cost	Outstanding debt of municipality	Constitutional debt limit
Broadalbin (village)	Fulton	1,452	New water system for fire protection.	$300,000	$50,000	$336,797
Holland Patent (village)	Oneida	556	New water transmission system (village currently under citation from the New York State Department of Health).	229,000	80,000	170,237
Middleville (village)	Herkimer	725	New water distribution system for fire protection.	360,000	24,000	139,279
Prospect (village)	Oneida	392	New water system for fire protection.	339,000	1,600	86,020

RIVERSIDE INDUSTRIAL PARK IMPACT LITTLE FALLS, N.Y. (3-PHASED EDA-SPONSORED INDUSTRIAL PARK)

Employer	Employees	Assessed valuation of building	Assessed valuation of land
Empire Fiberglass	10	$80,750	
Metronics	75	248,750	
Salada Warehouse	8	575,650	
Old Colony Trucking	20	161,000	
Allegro Shoe Co.	600	1,300,687	
Total	713	2,366,837	
Grand total		2,529,926	

	Acres	Total project cost	Occupied
Phase I (1967)	24.0	$300,000	4 tenants (100 percent).
Phase II (1971)	12.6	259,000	1 tenant (100 percent).
Phase III (1974)	27.0	750,000	Construction (not completed).

Note: Prior to 1967, the total assessment of this 63.6 acre tract of barren land was less than $1,000. Today the same parcel of land accounts for 9 percent of the total assessment of the city, which is $27,999,849 (1974 assessment). Furthermore, this park is responsible for a halt in the area's continuous rise in unemployment and social services expenditures. Industries, long-housed and obsolete buildings, were leaving the area because of the lack of appropriate industrial facilities for relocation.

Senator **Bentsen**. Mr. Tweeten.

STATEMENT OF LUTHER TWEETEN, REGENTS PROFESSOR OF AGRICULTURAL ECONOMICS, OKLAHOMA STATE UNIVERSITY, STILLWATER

Mr. **Tweeten**. Chairman Bentsen, distinguished members of the subcommittee, I am taking a somewhat different tack than has been taken by the previous people testifying here. The emphasis by the previous people has been primarily on the local situation, looking at the "trees". I am going to emphasize a look at the "forest."

In this, Senator, I must say that you preempted me a bit this morning with your very eloquent statement of the problem. That's very good.

Senator **Bentsen**. That's why I try to speak first all the time. [Laughter.]

Mr. **Tweeten**. Federal rural development programs, in my view, are very much in disarray. There is substantial overlap and fragmentation. Goals are not well defined.

Two somewhat recent developments have distracted from rural development. One is good news to rural people to nonmetropolitan—"micropolitan" areas have been growing more rapidly in employment and population than metropolitan areas since 1970.

Senator **Bentsen**. What do you call them?

Mr. **Tweeten**. Micropolitan.

I don't like the "nonword" nonmetropolitan, so I called them micropolitan, a word used in the title of my recent book on rural economic development.

The second development is the finding that the Sun Belt, of which Texas, your State, is a classic example, is making substantial progress and stands in considerable contrast to difficulties being experienced by the Northeast. The Ozarks and Appalachian areas, traditionally viewed as rural, have made progress relative to many of our metropolitan areas.

However, as you pointed out in your opening statement, the case for rural development remains extremely strong whether you look at poverty or underemployment—and I prefer to look at underemployment rather than unemployment because the former includes the discouraged worker not in the labor force and output forgone by workers on jobs that do not fully utilize their capabilities. Also health, housing, and other indicators of need reveal that problems in rural areas are much more severe than in urban areas.

As you stated, the Federal Government has not properly responded to these needs. One of the first priorities is to alleviate inequities in funding, but we can't just look at the equity issue. We need to also look at the efficiency issue.

Some studies that we have done indicate that industry responds very well to profit incentives. That is, industry locates where it can make the greatest profits. Performance of industry is very good.

The problem is we have not been giving industry the proper incentives.

In the metropolitan areas we have not traditionally charged industry for the full cost of pollution, congestion, and all the problems attendant thereof. These costs have not become part of the private account of firms. As a result, firms have found the metropolis a profitable place to locate. Jobs and people follow the location of firms. So excessive concentration of people and jobs occurs in metropolitan areas.

On the other hand, one can make a case that industry has paid more than the full costs of locating in micropolitan areas. Institutional impediments such as union wage scales and minimum wages have kept from employment rural workers who would like to be employed at the wage that an employer can afford to pay and make a profit. Firms locate in metropolitan areas that could make a greater profit in rural areas in the absence of institutional constraints. With high underemployment in many rural areas, underutilized labor can be employed at little real cost to the Nation, little output is forgone by shifting these workers from their current uses to more productive employment.

So promoting economic progress in rural areas at once deals with problems of inefficiency and in equity in the economy. Economic progress can be promoted in rural areas with a minimum of inducement to inflation. One of the keys to dealing with inflation is to utilize resources more efficiently.

In recent years we have been internalizing more of the costs of pollution and congestion to the firm in the metropolis. I submit that this is one of the reasons why jobs have begun to decentralize. On the other hand, looking at some extended areas of rural economic problems, such as the crescent extending from the Coastal Plain of the Carolinas to the Black Belt of Alabama through the Mississippi Delta, underemployment and poverty are exceedingly severe. Something needs to be done.

Now turning to my recommendations, I emphasize not the "trees" but take a hard look at the "forest."

First, to promote equity by alleviating poverty I suggest a comprehensive income maintenance program that will provide the working poor with income at least as high as those on welfare. The rural poor, many of whom are working, have been underserved in past welfare programs. A program should provide for work incentives and family cohesiveness, payments among States adjusted for cost of living, and finally, shift more funding of social programs for education and welfare to the Federal Government in recognition that the problems of poverty spill across State boundaries as people go where payments are more generous.

We have seen rural areas penalized because the local capital invested in schooling, $6,000 or more per net migrant, goes to other areas through migration. Those other areas are frequently higher income States. There has been an exodus of up to $500 billion from rural areas through the exodus of our young people. That is a massive transfer of capital from rural areas to metropolitan areas.

A combination of too many programs and too few funds to promote rural development has reduced the effectiveness of Federal programs. Programs are uncoordinated and cost-ineffective in meeting goals such as alleviating poverty and underemployment.

Fragmentation is apparent, for example, in overlapping programs under the Rural Development Act of 1972 and the Economic Development Administration under the U.S. Department of Commerce.

A merging of overlapping programs placing them under one administrative agency seems overdue. Too many rural development programs subsidize specific services and communities based on the premise that all rural areas and communities need assistance and that benefits will trickle down to poor people.

Greater emphasis should be placed on programs to expand the economic base in rural areas and less emphasis should be placed on programs to subsidize rural services. In other words, expanding the economic base is the key to economic progress through reducing underemployment in rural areas. If we expand that economic base, then we will also have the tax base to provide many of the services that are needed and desired by rural people.

Furthermore, we have a problem in subsidizing services that promote rural sprawl. Stillwater, Okla., is a community of about 30,000 people. We have a number of our middle-class and upper-class residents who are moving to acreages in rural areas. One of the reasons that they are moving to rural acreages is because they can get subsidized electrical, telephone, water, mail, and school bus services. We are promoting rural sprawl. This is very inefficient use of resources because the real cost of providing community services in those areas is high.

I am not in disfavor of letting people locate where they choose, but middle-income and high-income people should be able to pay the full cost of their location decision. We shouldn't be subsidizing them, as a public, to locate in inefficient places.

For high cost effectiveness, efforts need to focus on programs, (*a*) to directly expand the economic base through direct assistance to industry and low-income workers. I suggest a subsidy to low wage workers rather than to improve public services and infrastructure except in cases where such services cannot be supported locally at levels necessary to maintain adequate health and environmental standards.

(*b*) In areas with high underemployment. In other words, the efficient thing to do is utilize these resources that are underemployed.

(*c*) In or near growth centers, generally in cities of 20,000 or more population which have the density of labor skills and services, including utilities, housing, financial institutions, transportation, et cetera, to provide self-sustained growth of jobs within reach of rural residents in the hinterlands.

(*d*) With sufficient Federal job-generating assistance to bring development to a critical mass required for sustaining growth.

Rural development can be divided into phases including organization, planning, and implementation. In general too many Federal resources have gone into organization and planning relative to implementation. Without adequate programs and funding, the organization and planning cannot be implemented. Many plans are formulated but funds are unavailable to implement these plans.

A related issue, human resource development programs such as institutional training have not always been coordinated properly with job generating programs. The result is that manpower programs have often trained workers for jobs that do not exist. In other words, there has to be a coordination between job generating programs and job training programs.

Federal programs such as minimum wage laws, employer contributions to social welfare programs, and other programs have mitigated against employment of the young, minorities, and the poor. These programs should be replaced or coordinated with a wage or earnings supplement program to increase employment, utilize underemployed workers, raise incomes of the working poor, and in general promote national employment with fewer inflationary pressures than arise from excessive expansion of the money supply.

I submit that "full employment" without excessive inflation in the Nation now, in equilibrium, means 6 to 7 percent unemployment of the labor force unless we do something directly to employ teenagers, minorities, and females. Pressing for lower unemployment rates than this equilibrium rate of 6 to 7 percent contributes heavily to inflation. Unless we design programs to reach directly the groups that are having trouble getting employed, using a wage supplement or other approaches, stimulate inflation and only temporarily reduce the unemployment rate.

Finally, after spending a great deal of effort looking at past evaluations of rural development programs, I am very disappointed in the quality of these evaluations. To utilize limited resources—and we are always going to have limited resources—to meet the goals of rural development, we need to use those resources more cost-effectively. Evaluations of past programs provide too little insight into what programs go farthest to reach targets such as alleviating underemployment and poverty. One measure to improve evaluation is to insulate evaluation efforts somewhat from narrow political considerations. When the agency that is in charge of the program also evaluates the program, you are very likely to get meaningless results.

Thank you.

Senator BENTSEN. Thank you very much. Mr. Tweeten.

[The prepared statement of Mr. Tweeten follows:]

PREPARED STATEMENT OF LUTHER TWEETEN

Federal rural development programs are in disarray. Motivation to improve and adequately fund rural development has been dampened by two major and fairly recent developments. One is the finding that employment and population growth has been more rapid in micropolitan (nonmetropolitan) areas than in metropolitan areas since 1970. The second is the progress in the "Sun Belt" relative to more urbanized areas such as the Northeast. Development in Appalachia and the Ozarks (traditionally depressed rural areas) stands in considerable contrast to problems experienced by central cities of major metropolitan areas.

The case for promoting rural development remains strong, however. The incidence and depth of poverty is far greater in rural than in urban areas. Underemployment, which counts unemployment as well as workers not fully utilizing their skills (because they are unable to find an adequate job or have been discouraged from entering the labor force or have dropped out of the labor force), is greater in rural areas than in urban areas. Underemployment represents untapped resources that could increase the nation's output of goods and services while restraining inflation. Very severe "islands" of rural poverty and underemployment exist such as the crescent stretching from the Carolina Coastal Plain through the Black Belt of Alabama to the Mississippi Delta. Problems of substandard housing and health are also chronic to many depressed rural areas and are more intense than in urbanized areas.

That the government has not responded equitably to these needs is apparent in the following data on federal outlays by program for fiscal year 1974:

[Dollars per capita]

	Metropolitan counties	Micropolitan counties
Community and industrial development	94	107
Housing	83	49
Human resource development	96	84
Agriculture and natural resources	10	88
Total	283	328

The above outlays were overhadowed by outlays for defense averaging $404 per capita in metro counties and $195 per capita in micro (nonmetro) counties in fiscal year 1973. Consequently, federal outlays for all programs totaled $1,097 per capita in metro counties compared with $956 per capita in micro counties in fiscal year 1973. When the outlays most directly applicable to rural development (community development, human resource development and housing) are related to need based on per capita income, poverty, health problems, dependency rates, and substandard housing, the shortchanging of nonmetro areas appears far more intense.

GOALS FOR RURAL DEVELOPMENT

While the first concern is to alleviate the inequities in federal spending among areas, the next concern is using available federal funds more efficiently to accomplish the goals of rural development. The general goal is to improve the well being of rural people. Examples of more specific goals were derived from legislation during the past several years and include improving employment opportunities, income, housing and community services and facilities along with "balanced" population growth between micropolitan and metropolitan areas (Butz, 1975). These goals are closely related. For example, enhancing the rural economic base (firms, agencies, etc. providing primary employment) generates employment and income which in turn improves housing, reduces outmigration to metropolitan areas and generates the tax base to support better community services and facilities.

Goals for rural areas can be found in other sources. A 1975 survey (Smith and Tweeten, 1976) of residents in rural communities in Oklahoma revealed that 73 percent of the respondents desired to see their community's population grow and the same percentage cited failure of the community to provide enough jobs for high school graduates who desired employment as a big problem. Residents showed much more concern with lack of employment opportunities than with quality of local services.

ISSUES IN TRANSLATING GOALS INTO ACTION

Several issues are confronted when translating rural development goals from concepts into action. The first issue is what programs to emphasize, the second issue is on what areas or groups to focus rural development efforts, and finally, given the programs, areas and groups on which to focus, how each selected program can be made to operate more successfully, either viewed separately or in combination.

The range of options is widened by assisting communities to expand their economic base, then depend on individuals and communities to utilize rationally the earnings from the economic base to purchase needed goods and services.

Research (Smith and Tweeten, 1975) indicates that a program of federally assisted loans and grants or tax concessions to private industry is cost-effective in generating jobs and income. While rural development goals may be more fully achieved by concentrating more federal funds for development on this program, there are sound reasons for other types of programs. Along with encouraging job formation by increasing profits directly through the above means, an attractive alternative is to subsidize wages of labor so that low-income workers can earn an adequate take-home wage while employers need pay a lower wage at which these laborers can be hired at a profit.

Housing is to a degree a "public good." That is, the benefits of adequate housing accrue to the public at large as well as to those who dwell in the housing. It may be argued that the public at large which benefits from a more attractive neighborhood appearance, reduced crime and fewer public health problems should pay some of the housing cost.

Federal assistance can be justified to provide housing, water and sewer facilities that are inadequate to meet minimum public health standards where local residents cannot afford to pay the cost. Similarly, the public may wish to help pay the cost of adequate facilities where inadequate sewerage treatment causes "downstream" health damage. Payment-in-kind rather than cash is often provided because the public wants to ensure that resources are used for items that will do most to overcome nutrition, health or housing problems.

It is useful to review preliminary findings from past evaluations used to design policies consistent with goals listed earlier.

GEOGRAPHIC LOCATION

The place where people choose to live depends on their tradeoff between site amenities (e.g. preferences for residing in the open country and enjoying the ambience of small town atmosphere) and ability to earn a living in a suitable job. Opinion polls repeatedly show that people, even those living in metropolitan centers, prefer living in smaller places. But a study shows that site amenities are much less important than income and occupation to satisfactions (Tweeten and Lu, 1976). The implication is that people have crowded into metropolitan areas, not because they prefer living in such places, but because less favorable jobs and incomes were available elsewhere. It follows that if the well being of rural people is to be improved, attention must be paid to generating an economic base (jobs) within reach of rural people. Site-specific amenities of rural living provide only limited compensation for low incomes, and rural areas are an acceptable alternative only if jobs and incomes are satisfactory there.

Can rural areas compete for jobs with other areas? The answer is "yes" based on several considerations, including rapid growth of jobs in nonmetropolitan areas in the 1970's (Tweeten, 1976). Considerable evidence suggests that firms locate where profits are greatest (Janssen, 1974). While this suggests that firms and jobs (and hence people) concentrated in metropolitan areas because *private* efficiency of labor and capital was greater there, the appropriate measure of efficiency is *social* profits or rates of return. While firm performance seems adequate, incentives have been distorted. Jobs and people concentrated in the metropolis because firms were not charged the full costs for air pollution, congestion, crime, social unrest and other externalities caused by crowding of people. As recent environmental legislation and awareness of real costs by employees raised labor costs and reduced firm profits, decentralization of firms proceeded and jobs and population grew at a faster rate in micropolitan than in metropolitan counties from 1970 to 1974. Rural areas can compete effectively for jobs in many industries, although a large number of rural areas either cannot compete or can compete only if assisted by appropriate incentives offered by the public. If a wage supplement or related program were used to reduce rural wages (while raising income) to the low real social cost (underemployment is rampant in many rural areas and real cost is low because little output is foregone by employing workers), then private costs to firms would be more nearly aligned with social costs. An appropriate rural-urban balance would be encouraged. Because the nation would be making more efficient use of its resources, inflationary pressures would be dampened.

Another approach is to offer credit or other concessions to reduce costs of industry locating in rural areas. Several economists concluded in the 1960's that "hot house" industrialization programs were ineffective but more detailed evaluations revealed they were indeed cost-effective; the reason they showed little impact on employment was because few funds had been devoted to them (Tweeten, 1970, Ch. 14; Smith and Tweeten, 1975). Because industry performs well in responding to profits then, because incentives raise profits, it follows that low interests loans, tax concessions, provision of facilities such as utilities, access roads, and other incentives influence location. Analysis (Smith and Tweeten, 1975) of 250 industrial development projects receiving assistance from the Economic Development Administration (EDA) revealed the cost of EDA per primary jobs generated was low.[1] Cost effectiveness was greatest for industries (1) locating in or near cities of 25,000, (2) receiving direct assistance rather than indirect aid such as industrial parks (public facilities were often constructed without subsequent success in attracting industry), (3) in areas with a high proportion of blue-collar workers (less than average education and smaller proportion of aged) and (4) in "rural" areas with greater density of population rather than in sparsely populated areas.

Nearness to an interstate highway or metropolitan center, percent of persons on welfare, and rates of unemployment or underemployment did not influence cost-effectiveness. However, economic efficiency in location of jobs can be higher by locating in areas of high underemployment to increase the proportion of employees who come from the ranks of the poor and underemployed. Less output if foregone from alternative employment by utilizing this labor in new or expanded industry.

FOCUSING PROGRAMS AMONG ECONOMIC CLASSES

Harper (1977) reviewed existing studies relating self-esteem, life satisfaction and anomie (demoralization, alienation) to income. Based on his own research as well as research of others, a consistent, positive relation is found between psychological measures of well-being and income. Another $100 of income add considerable more to well being of low income persons than the same amount of income provided persons above national median income levels. The implication for rural development is clear if the goal of rural development is to improve satisfactions of rural people with the very limited funds available, then goal-attainment will be greatest, other things equal, if focused on those with low income. It is essential to consider for whom income is generated.

SYSTEMS PLANNING OF SPECIFIC PROGRAMS TO REACH DEVELOPMENT GOALS OR TARGETS

Tailoring specific programs to development targets is facilitated by modern computer simulation procedures. Nelson and Tweeten (1975) combined computer simulation procedures with existing empirical data from past evaluations of individual programs to devise a development strategy that is cost-effective in use of public funds to reach targets of eliminating poverty and underemployment in a multicounty development district in eastern Oklahoma. This Eastern Oklahoma Development District is not unlike many depressed micropolitan areas and the results may be sufficiently robust to suggest elements for a national growth policy.

The population of the multicounty district was classified into 21 sociodemographic categories based on income, age, ability to work and levels of education and training. The population changed through time due to births, death, aging and migration. It was assumed that a decisionmaking authority responsible for dispersing development funds in a underdeveloped area could allocate these funds among public assistance grants for unemployable poor, education (school dropout prevention), technical training, family planning, industrialization and labor mobility assistance. These activities would be initiated over and above "traditional" ongoing public spending in the area. Roads, schools and other services and infrastructure were judged to be either adequately funded or amenable to improvements as desired by area residents with taxes from the economic base generated by development.

Multiple regression analysis of Economic Development Administration data yielded a cost-effectiveness estimate for industrial development in Muskogee, Oklahoma, of 5,582 public dollars per direct job created. The estimate for Muskogee, the district growth center, showed more favorable cost effectiveness than estimates for any other community in the area. Adjusting the estimate stated above by the proportion of EDA industrialization projects sampled which were successful (108 out of 176 projects) yielded a final cost-effectiveness estimate of 9,538 public dollars per direct job created for use in the simulation model. Multipliers were used to estimate the number of indirect and induced jobs resulting from the jobs indirectly created by industrialization, with appropriate adjustments for the industries in which the direct jobs were created.

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[1] The cost to EDA per direct job generated averaged $2,500, but this figure is biased downward by including jobs that would have located in study areas in the absence of EDA assistance. More realistic costs per job generated average about $10,000 and range up to $20,000.

Based on a number of studies (cf. Nelson and Tweeten, 1975), the proportion of new jobs which go to the area's poor was set at 33 percent. New jobs going to workers outside the area as a proportion of new jobs going to the area's nonpoor was entered as 24 percent. Seventy-eight percent of the jobs vacated by nonpoor workers employed in new industry were considered to be refilled based on an earlier study of the same district by Shaffer and Tweeten (1974).

Results of 13 simulated development strategies were reported by Nelson and Tweeten (1975). One of these strategies assumed continuation of programs in effect in 1970. The other 12 strategies simulated included sufficient annual allocations to welfare or public assistance to remove all unemployable poor from poverty; remaining funds, up to a total annual allocation limit of $75 million, went to various combinations of the other development activities considered. Seventy-two million dollars in welfare grants would be required to remove all unemployable poor from poverty. Such assistance was the only means to eliminate poverty among the unemployable poor, who comprised 85 percent of all poor. Almost $50 million were allocated to this purpose (welfare grants) in 1970. Annual outlays of $3–$5 million eliminated nearly all underemployment in approximately 10 years, after which the critical mass of development achieved might well be self-sustaining. The outlay for generating jobs was no greater than actual development outlays in 1970 but was used more cost-effectively.

The heart of the strategy that was cost-effective in reaching targets with public funds was (a) public assistance for the unemployable poor, (b) labor mobility assistance in early years while job development was getting started locally, and (c) local job development through industrialization. The number of programs in an area development plan need not be large. Advantages in administrative feasibility and avoidance of waste and program overlap accrue from limiting the number of programs in a development strategy.

Human resource development programs over and above existing programs in the district had low payoffs at the margin. For efficiency, they must be accompanied by programs to generate jobs locally or increase labor mobility to distant jobs. School dropout prevention and family planning activities were found to be quite shallow, being relatively inexpensive and reaching few people. These programs must be justified on social rather than on economic grounds in the short run, but give favorable economic returns in the long run.

Job development, through industrial incentives or other means, was essential to reach development targets. Without this program, it was impossible to ameliorate underemployment with limited public funds. Subsidized migration of employable poor was highly cost-effective in the use of development funds, but alone was inadequate to alleviate underemployment in depressed areas because many people will not move and many movers return. By supplying earnings and skills to migrants who will later return home, labor mobility programs serve as "holding patterns" to smooth the flow of workers into new local jobs which take time to develop. Thus labor mobility programs can complement rather than compete with industrial development programs in the early years while local job development efforts are gathering momentum.

CRITIQUE OF PROGRAM PERFORMANCE EVALUATION

Past rural development efforts have not received competent evaluation. Program performance must reflect dimensions of efficiency and equity (distribution of benefits). Two often, only positive or favorable results are tolerated by administrators, and evaluators bring only "good news." If superficial and biased in-house evaluation is encouraged, then evaluation needs to be turned over to more objective outsiders or federal agencies somewhat insulated from narrow political considerations. Results of evaluation should be more widely disseminated than in the past so that more efficient and equitable planning and implementation can proceed through thorough airing of the issues.

A principal shortcoming of past evaluation using cost-effectiveness is that programs appear most favorable in generating jobs, services, etc. when focused on well-to-do elements of eligible recipients and leads to emphasis on programs for the least disadvantaged. This tendency is reinforced by the political process because low income recipients are less active politically. To measure equity, the distribution of benefits (and costs where appropriate) among recipients by income classes needs to be shown. I suggest that weights reflecting the need for income be given to various income classes. Procedures for doing this have already been designed. These weights would then be multiplied by costs incurred and benefits received for each income group, and an overall cost-effectiveness or benefit-cost rating given to each program.

CONCLUSIONS

1. Development programs are severely underfunded for rural areas in relation to metropolitan areas, especially in relation to need as measured by poverty, underemployment, substandard housing, dependency rates and health. To promote equity, an income maintenance program is needed to provide the working poor with incomes at least as high as those on welfare, provide for work incentives and family cohesiveness, align payments among states (adjusted for cost of living) and finally, shift more funding of welfare and education to the federal government in recognition that problems of poverty spill across state boundaries as people go where public assistance payments are more generous and in recognition that depressed rural areas see local capital invested at great sacrifice in schooling exodus through migration to higher income states.

2. Programs in (1) above emphasize issues of equity; other programs need to emphasize efficiency in use of resources while restraining national inflation. A combination of too many programs and too few funds spread too widely has reduced the effectiveness of federal rural development programs. Programs are uncoordinated and cost-effective in meeting goals such as alleviating poverty and underemployment. Fragmentation is apparent, for example, in overlapping programs under the Rural Development Act of 1972 and the Economic Development Administration. A merging of overlapping programs, placing them under one administrative agency is overdue.

3. Too many rural "development" programs subsidize specific services and communities based on the premise that rural communities need assistance and that benefits will trickle down to poor people. Greater emphasis should be placed on programs to expand the economic base in rural areas and less should be spent on programs to subsidize rural services. The latter programs encourage energy inefficiency and rural sprawl, as middle and high income city people are enticed to move to rural areas to take advantage of subsidized electrical, telephone, water, school bus, mail and other services.

4. For high cost-effectiveness, programs need to focus on (a) measures to directly expand the economic base through direct assistance to industry and low income workers (wage or earnings subsidy) rather than to improve public services and infrastructure except in cases where such services cannot be supported locally at levels to maintain adequate health and environmental standards, (b) in areas with high underemployment, (c) in or near growth centers, generally in cities of 20,000 or more population which have the diversity of labor skills and services (e.g. utilities, housing, financial institutions, transportation, etc.) to provide self-sustained growth of jobs within reach of rural residents in the hinterlands, and (d) with sufficient federal job-generating assistance to bring development to a critical mass required for sustained growth.

5. Rural development can be divided into phases including organization, planning, and implementation. In general, too many federal resources have gone into organization and planning relative to implementation. Without adequate programs and funding, the organization and planning cannot be implemented. In a related issue, human resource development programs such as vocational-technical training have also not been coordinated properly with job generating programs—the result is that manpower programs have too often trained workers for jobs that do not exist.

6. Many federal programs such as minimum wage laws (the cost of social programs and paperwork increases the "effective" minimum wage by about 50 percent over the nominal minimum wage), union wage scales and other institutional impediments have mitigated against employment of the young, minorities and the poor. These programs should be replaced or coordinated with a wage or earnings supplement program to increase employment, utilize underemployed workers, raise incomes of the working poor, and in general promote full national employment and welfare reform with fewer inflationary pressures than arise from excessive expansion of the money supply and deficit spending.

7. Rural development programs have not been evaluated competently. Benefits of programs initiated to benefit the poor and underemployed too often have

accrued to the middle and upper economic classes, are not cost-effective in generating income for the needy and have contributed to rural sprawl. Biased inhouse evaluation and failure to publicize findings have precluded public scrutiny of the programs. Evaluations need to be carried out by outsiders appointed and funded by agencies not responsible for administering the programs or by a semiautonomous government agency isolated from narrow political pressures.

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Senator BENTSEN. I would like to call on Congressman Rousselot first.

Representative ROUSSELOT. Thank you, Mr. Chairman.

Gentlemen, we appreciate your appearance here today and your explanation of what you feel could be done in the field of more proper development of the rural areas. We are most interested in that, of course. Mr. Ladd talked about the problems of people's leaving the rural community and going other places. I guess in Texas and California we are getting the benefit of those people's coming to our areas. We are not experiencing the decrease in populations to which you addressed yourself.

Mr. TWEETEN. The Okies are coming back.

Representative ROUSSELOT. Back to Oklahoma?

I guess some of them are stopping in some of the Rocky Mountain States, too. If we read the figures, the population there is growing faster. People are going also to the Sunbelt States, which, of course, includes Oklahoma.

I was interested in reading your comments, in point 6, about what you think could be done. You said many Federal programs, such as minimum wage laws and employer contributions to social welfare programs, have mitigated against employment of the young, minorities, and the poor. On what do you back that up? Every time that issue is raised here, we get all kinds of answers.

Mr. TWEETEN. We have millions and millions of people in this country who would love to have a job that would pay well.

Representative ROUSSELOT. Are you saying eliminate the Federal minimum wage laws?

Mr. TWEETEN. No. Many people would like to work. My kids would love to get a job if they could. The problem is that a great many of these workers—and there are millions of them—contribute less to the value of output to their employer than the minimum wage. To put it in very simple terms, it does not pay to hire them.

Representative ROUSSELOT. Well, let's talk very specifically about something that is currently before us. We have minimum wage bills—bills to increase the federally mandated minimum wage in given occupations. The President has suggested $2.50. The unions have suggested $3. Are you saying to us that if we raise those mandated levels that that is going to create more unemployment?

Mr. TWEETEN. More unemployment. Definitely. It is a cruel hoax on the really disadvantaged worker. He is forced either into unemployment or into secondary labor markets. The secondary labor markets are characterized by sporadic employment, by distasteful working conditions in many cases, and the result of these characteristics is generation of attitudes in the worker that are inimical to staying in the labor force. Eventually he or she may drop out of the labor force.

Representative ROUSSELOT. Part of your answer to that is you are saying that these programs, minimum wage laws, employer contributions to social welfare programs, should be replaced or coordinated with wage supplement programs to increase employment?

Mr. TWEETEN. Yes.

Representative ROUSSELOT. Who do you want to fund that Federal supplement?

Mr. TWEETEN. I want the Federal Government to fund it.

Representative ROUSSELOT. You do?

Mr. TWEETEN. Yes.

Representative ROUSSELOT. Where do we get the money?

Mr. TWEETEN. You could save quite a bit on unemployment insurance. Of course, we can always took to tax reform as a possibility; but I would——

Representative ROUSSELOT. Reducing the income tax?

Mr. TWEETEN. That would be a possibility. Let me emphasize that a wage supplement is one of the few welfare reforms that would create greater incentives to work rather than less. The negative income tax as proposed in various forms would discourage employment and reduce national output. With the incentive to work under a wage supplement, the dividend of greater national output could be taxed—another source of funding for a wage supplement program. Furthermore, this program targets very heavily on the poor. We should take a hard look at "development" programs that do not target so heavily on the poor and emphasize the programs that would encourage the twin goals of equity and efficiency.

Representative ROUSSELOT. Can you be a little more specific? How would the Federal Government fund this supplement? A percentage of the cost of the wage?

Mr. Tweeten. You might have a different set of circumstances for teenagers, but this is an example of how it works. Set a target date of, say, $4 an hour. The worker would obtain employment at whatever wage he could, a wage that the employer could afford to hire him at. Let's say it is $1 per hour. Then the Federal Government would pay, say, 60 percent of the difference between the target wage and the wage paid by the employer. If the employee could get $1 an hour and the target wage is $4 an hour, that is a $3 difference. The Federal Government would subsidize 60 percent of the difference—that would be $1.80. So the total pay to the individual would be $2.80 an hour, and if he worked 2,000 hours a year, this would get him above the poverty level. In other words, the employee can work for a low wage, a wage at which the employer can afford to hire him, and yet receive a socially acceptable total wage above the poverty threshold.

Representative Rousselot. You are saying the employer would set the wage you are talking about?

Mr. Tweeten. Yes; but there is an incentive on the part of the employee to obtain the highest wage possible from the employer. The higher the wage from his employer, the more total take-home pay he will get. So, there is incentive.

Representative Rousselot. Do any of the rest of you want to comment on that?

Mr. Tweeten. There is incentive for efficiency in that program.

Representative Rousselot. This is going to help in rural America?

Mr. Tweeten. Definitely. There are a great many workers who are underemployed in America and rural America would benefit especially because there are more underemployed people proportionately in rural America than in urban America.

Representative Rousselot. Just off hand, I do not know where you get all the money to provide this, the $1.85 or whatever it would be, to subsidize this add-on price. You are jumping above the minimum wage anyway.

Mr. Tweeten. We are talking about a program that would cost on the order of $10 billion per year.

Representative Rousselot. Any of the others want to comment?

Mr. McNichols. I would like to say in rural counties, for economic development we need the incentives of available public utilities, and hospitals, this sort of thing not only serves those populations already there but also serves potential jobs that could be brought in through industry; and this would best serve rural counties at this time. Many of these improvements could be accomplished very reasonably in cost per rural area.

Mr. Ladd. I cannot quite agree. I did not mean to make this a debate, but we feel in upstate New York—and I am on a couple of the Governor's councils for economic development in the State. Our feeling is that the minimum wage is a good thing for New York State. I think it is a good thing for the Northeast. For many years industries were coaxed away from the North to the South because incomes were lower, the hours were longer—and the hourly rate was lower. Most of the cotton mills and everything else, back in the forties and early fifties, went South. We feel this would stabilize and stop some of that. I am not talking about the Sunbelt versus the Northeast or anything like that.

I am talking if every company has to raise their minimum wage, there are ways to overcome that.

More efficient operations of companies; these things can be done. Many companies have not taken a look at their operations to see whether they can make it more efficient by paying a higher wage rate. They upgrade the skill of the employee. By doing it, they get a better production so they can afford to pay a higher minimum wage. I think if you were to take a poll in the Northeast, you would find there would be strong support for that. I have talked to my Congressman. He is in favor of it. I believe that there would be a strong support for the minimum we have nationally. I cannot quite agree with this concept of subsidizing. I think the management part of it would be horrible. Any company would be crazy to say they could not afford to pay $1 and get that extra. Just the policing of that would be enormous. We would have to have another agency just to do that. I do not think we need another agency of that type.

Representative ROUSSELOT. Well, Mr. Chairman, I had several other areas I was going to pursue. Let me do one more. Then we will turn it back to you.

You have all indicated the need for adequate funding of water resources and other such related projects as an important aspect of rural development; yet, as you all know, and you have indicated, we have been pressed here in Congress as have State legislatures to put heavy constraints on much of this type of development for environmental considerations or so-called no-growth consideration; that is, people who say we have had enough growth here. If you bring in more water resources, obviously more people will come. We do not want that.

You don't need to convince us in the West or the dry parts of Texas that we need to act with water resources because obviously that is very essential to the ability to supply not only agriculture but also city needs. How do we arrive at a balance, because we have in that particular equation so many people telling us that if you build a dam here, that will ruin the ecology of this river; or we now have a President who has been willing to say, "Let's stop and reevaluate all of these projects." How do we, from your standpoint, balance that out?

Mr. LADD. Mr. Rousselot, in my State, the projects we have got, that we are trying to get money for, there is no growth to them. These are emergencies in most instances, they are caused by a Federal agency such as the EPA, the New York State Department of Health, the Department of Environmental Conservation coming in and saying, "Your standards are not high enough, you have to upgrade them." There is no growth here. I have an instance right now in New York where a disease hit the school. I cannot tell you the name. It was a very rare disease. EPA came in, the National Health Center out of Atlanta came in spending about 1 month there trying to trace it down. The county health commissioner and EPA came in and said that the water system was inadequate and was causing this. What it did, it caused students at the high school to get sick and it appeared similar to appendicitis and some 30 students were operated on for appendicitis before being diagnosed as Yersiniosis. It appeared like appendicitis.

Then, they found out that the disease was caused by a milk company which was not even from that area, chocolate milk was causing this disease in the school. They are still having hearings right now in Utica, N.Y., citing this community for the water problem which is not caused by the water.

You cannot stop them. Once the bureaucracy starts to roll, you cannot stop it. They are spending thousands of dollars taking people from work to testify. The thing is going on. The mill is going on. No one can stop it. Somebody should be able to kick the guy in the leg and stop it. You cannot do that once it starts rolling.

This is a typical across the United States. As to the big water projects, I cannot speak for that. They are mostly in the West and mountian regions. Really most of these projects that you see listed under FMHA, under HUD, whatever have nothing to do with that. There is no growth there. It is just to meet the pure water standards as promulgated by the Federal Government.

Mr. McNICHOLS. If I might, in Pulaski County, we have under construction an $8 million water project that is countywide in nature and will serve the entire county. That is not being built totally for growth. There is some margin for growth. The project is necessary to meet the Safe Drinking Water Standards Act and provide a safe water supply. I cannot imagine any environmental group being against healthy citizens within its community. Water is the basic of any community. It is a basic for industrial and economic development and industrial development does not always mean environmental problems.

I would certainly respectfully submit to this subcommittee that rural counties, some 1,500 of them, do not have even a town in them; and how you could have population pressures on those types of counties, I do not know. I think that sometimes environmentalists may in fact be blowing things out of proportion and should in fact be looked at on a case-by-case basis and not with the generalities which sometimes are forthcoming from them.

I know that in our county, we do not have environmental pressures on 327 square miles. We are quite capable of handling minimal growth which rural areas such as ours needs to provide for the proper employment of its citizens.

Thank you.

Representative ROUSSELOT. Anybody else?

Mr. TWEETEN. I just wanted to say that Congress cannot answer the question of what is the value of an endangered species. I am not going to try, but I am concerned again about this issue of funding of community services. In Stillwater, Okla., through Federal funds we were able to tear down our old park shelters and put up new ones that look less rustic and in many ways less appealing than the old ones. We were able to pave our park streets so they are better now than the city streets. The Federal Government may provide a grant to bring water in from the Kaw Reservoir 40 miles north of Stillwater.

Going back to the philosophy espoused earlier: if the economic base is developed in communities—and Stillwater, Okla., can develop that economic base—the communities can afford services.

They will choose the level and combination of services they want. Not all want the same level and combination of services. You do have to pay attention to adequate health and environmental standards. But there is too much emphasis on forcing communities to have a certain level of services and not enough attention on helping communities build up the economic base and then letting them, out of the taxes which they can generate from that economic base, develop the level and combination of services they desire.

Senator **Bentsen**. Gentlemen, the reason I called these hearings is because we have 60 million Americans living in our rural areas—60 million Americans who have a median family income $3,000 below their urban counterparts. Sixty million Americans that have one-third of the homes in this country, and one-half of the substandard homes in this country. Sixty million Americans that have a 50-percent higher level of poverty than the rest of America. Yet, as you gentlemen testify before us, the Rural Development Administration calls for a maximum of 50-percent participation by the Federal Government when they fund something; but, if we are talking about HUD or the EPA funding for the urban areas, that is 75 to 100 percent. The problem we have is that the rural areas do not have the high-priced lobbyists up here lobbying for them. They do not have the big-name mayors up here making a case for them. I think it is a neglected part of our Nation. If we are going to have a balanced growth in this country, then more attention is going to have to be concentrated on the rural areas to see that they move ahead. You have made the point that on transportation, many of your bridges cannot carry a full load. You have to take a half load across. What does that do? That raises the cost of rural transportation. You make two trips instead of one. That cuts the return to that fellow in that rural area. It is no wonder that so many people move into the cities where they have many of these services heavily subsidized.

I think the statements you have made have been very helpful to us. Certainly, I want to support you in your efforts.

Mr. **Ladd**. Senator, there is one other point I would like to make that we have not touched upon. Because your area has not been hit yet. That is railroads. We have been deeply involved with railroads in the Northeast. It is moving west now. You know ConRail already has admitted they made a mistake on the first time around and are talking now of probably kicking another 4,000 miles out of the system by April of next year when they have to give their report.

Our district has been involved in railroads and we set up two short lines, took them over, and have an operating railroad company, separate from my district. It is very successful. I really believe in any legislation that you people are going to be talking about west or south of Chicago, you should be taking a hard look at your railroad situation. It is coming. When I leave here, I am going to South Dakota to speak to four States concerning railroad abandonments in their areas and what they can do. They are having real problems with abandonments.

Senator **Bentsen**. Let me ask you about that, Mr. Ladd, I kind of backed off on some of that. As I look at the frequency of usage of some of that trackage, I wonder if the load cannot be handled by fixing up those bridges and using trucks? Isn't that a more economic way to use the Nation's resources, if we take care of your bridges?

Mr. **Ladd**. It is not my intent to sit here and say every line should be saved. There are some geographic areas that cannot adequately be served by trucks. Take wheat, for instance, you could not afford to ship wheat or other grains to the East by truck. We now have large hopper cars to handle this type of operation. Some lines can be abandoned.

In our State, we abandoned something like 1,700 miles of track but still have some problems with some of them. In some instances, you will have a major industry on that line that economically they cannot ship by truck. They just cannot handle it, such as the steel industry.

Senator **Bentsen**. I supported some of these, and I am changing my mind. We say we want a passenger train to go all the way across the country. We could pay people the plane fare and give it to them and send them cheaper than the cost of people riding trains across the country. The only place you can justify the passenger train is in an area where you have corridors of population. In turn, it seems that in the way of transportation for the rural areas, the main thing we need to do is see that we have safe bridges for them to get their crops to market, so that their people are not having to use low-water bridges, and being locked into an area for a week.

Mr. **Ladd**. That is true.

Senator **Bentsen**. I was born and raised in an area like that.

Mr. **Anderson**. Mr. Chairman, if I might add, you touch a point that is very close to us in southern Minnesota. As I indicated before, we have road restrictions on many of our roads, in addition to our bridges. The railroads that go into many of the smaller cities in south central Minnesota are not adequate. We had a transportation study made in south central Minnesota that many of the railroads that are there cannot support hopper cars because the rails that were put in were of a lighter-weight steel at the time they were laid. They indicated to us that, I think, by the year 1985, that the present old-style railroad car handling grain will no longer be there. If a rail line does not support a hopper car, it does not make much good sense to have a railroad even there. That is where the problem is and the cost of upgrading a rail system is tremendous.

Senator **Bentsen**. We have a lot of railroad buffs in this country, too. In the population corridors, I think we need the trains. We ought to try to speed them up. But, as to the idea that somebody is going to get on a train and take off from Washington, D.C. and go to Los Angeles—if they do it, they will only do it once. They will fly back. It is a little bit ridiculous to spend all that money for that sort of thing.

Don't the rural areas in the northern States face somewhat the same problems that they face in the South and in the Midwest? I heard someone refer to a corridor or a crescent of high unemployment. There are some of those pockets in my State. I have the lowest per capita income, in south Texas, of any place in the United States, not Appalachia, but down in south Texas; rural areas, high unemployment. One of my areas is up to about 22 percent.

Mr. **Tweeten**. Senator, if I could comment on that, the problems of unemployment in poverty areas are much more severe in some of these areas. The crescent I mentioned is a very, very severe area. One of the things I am disappointed in is looking over Federal data on rural development programs is we have so little information on who is benefiting from these programs. FHA programs; you talk about the number of poor families in rural areas, but we do so little to provide evaluation data on the incidents of who benefits from these programs by income groups.

It would be extremely useful to have that information. It would be most misguided to justify these programs on the basis of helping low-income people and then not show the evaluation results and find out that in the end, they are not going to low-income people at all.

Senator **Bentsen**. Some of these programs have more administrators than they do recipients.

Mr. **McNichols**. HUD does require us in rural America to provide detailed data on those poverty people that we help either in housing or with water and so on and so forth. The administration is making efforts in the various agencies to put this thing together. It is being done at this time.

Senator **Bentsen**. Thank you very much, Mr. McNichols.

Thank you, gentlemen, for giving us of your time and your counsel. It will be helpful to us. I hope we can continue to try to bring attention to this issue and try to resolve some of these problems.

The subcommittee stands in recess until June 15.

[Whereupon, at 12:06 p.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, June 15, 1977.]

ECONOMIC PROBLEMS OF RURAL AMERICA

WEDNESDAY, JUNE 15, 1977

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON ECONOMIC GROWTH
AND STABILIZATION OF THE
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:06 a.m., in room 6226, Dirksen Senate Office Building, Hon. Lloyd Bentsen (cochairman of the subcommittee) presiding.

Present: Senator Bentsen and Representative Long.

Also present: Louis C. Krauthoff II, assistant director; William R. Buechner, G. Thomas Cator, Kent H. Hughes, and Bill Morgan, professional staff members; and M. Catherine Miller, minority professional staff member.

OPENING STATEMENT OF SENATOR BENTSEN, COCHAIRMAN

Senator BENTSEN. The hearing will come to order. This is the second day of two hearings on the "Economic Problems of Rural America" which are being conducted by the Subcommittee on Economic Growth and Stabilization of the Joint Economic Committee.

The purpose of these two hearings is to examine the major economic problems faced by rural Americans and to determine what Congress and the administration can do and should do to foster the balanced growth of our communities.

For decades, Congress has been concerned about the lagging development of the rural parts of our country. At times, our concern over one specific problem or another has led to legislation, and we have some excellent rural programs, including the housing loan guarantee program administered by the Farmers Home Administration, loan programs that help farmers establish enterprises to supplement their farm incomes, and business and industrial loan and grant programs established by the Rural Development Act of 1972.

But each of these programs has been enacted piecemeal to solve a particular problem, rather than as part of an overall comprehensive approach to bringing our rural areas into the mainstream of America's economic life. And to make matters worse, during the past administration almost every rural program was underfunded and poorly run.

Because the Joint Economic Committee does not have any specific legislative responsibilities, it is an excellent forum for examining the whole range of rural economic problems. I hope these hearings will serve to educate Members of both the House and the Senate, and in particular those Members who represent urban communities, to the fact that our rural areas face economic problems just as serious as those faced by urban areas, and that we must develop effective comprehensive rural development programs.

There are 60 million Americans—one quarter of the population of this country—living in rural areas.

I have a prepared opening statement I want to put in the record on this that expresses my concern. But because of the limited time and the quality of the witnesses we have, who have demands on their time, I am going to put my complete opening statement in the record.

[The prepared opening statement of Senator Bentsen follows:]

PREPARED OPENING STATEMENT OF SENATOR BENTSEN, COCHAIRMAN

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There are 60 million Americans—one quarter of the population of this country—living in rural areas. These 60 million rural Americans have a median family income that is $3,000 below their urban counterparts. These 60 million Americans own one-third of the homes in this country, but they are afflicted with one-half of our country's substandard housing—houses without plumbing or in delapidated condition. These 60 million Americans suffer a poverty rate that is 50 percent higher than the poverty rate in our big cities—and which we hear so much about in the media.

By almost every measure of economic wellbeing rural Americans are worse off than urban Americans. Unfortunately, they receive much less aid from the Federal Government.

As our witnesses last week pointed out, many Federal programs for rural areas pay only 50 percent of program costs, while the Federal Government often pays 75 to 100 percent of urban program costs. Our witnesses were concerned by the fact that the Economic Development Administration in the Commerce Department, which originally provided excellent development help to rural communities, has recently grown more concerned about urban areas than rural areas. Another measure of Federal lack of concern is the fact that every meeting of the White House Conference on Balanced National Growth so far has been held in a city, totally ignoring the development problems of rural America.

We have neglected the rural communities of our great country for far too long. For decades, they have failed to share in the growth of this country, and it is time now to reverse that. The continued balanced growth of our economy requires that rural Americans share in that growth.

One of the most serious rural problems, that has concerned me for some time, is the lack of adequate health facilities. Rural counties average less than 60 doctors per 100,000 people, compared to over 200 doctors in large cities. The problem of obtaining health care is well illustrated by my own state of Texas. We have 23 counties without a physician. We have 49 counties that have been designated "critical health manpower shortage areas" by the Department of Health, Education and Welfare. While cities are legitimately concerned about the quality of medical care, the overriding concern in many rural areas of the country is often simply the existence of medical care. This is a critical problem that I hope we will examine here today. We also intend to look at the energy and housing problems of rural areas.

Thank you.

Senator BENTSEN. Our first witness this morning is Congressman John B. Breckinridge of Kentucky, who is chairman of the Congressional Rural Caucus in the House of Representatives. Following Congressman Breckinridge, we will hear from Congresswoman Virginia Smith of Nebraska. Then we will have a panel of witnesses, including Mr. Robert D. Partridge, vice president of the National Rural Electric Cooperative Association, who is accompanied by Mr. William E. Murray, legislative director of NRECA; Mr. Paul Noll, research director of the Housing Assistance Council, who is here in place of Mr. William Powers, Ms. Mary Walker, of the National Rural Center in Austin, Texas; and Mr. David A. Witts, who is an attorney with the Texas Southwestern Cattleraisers in Dallas.

Congressman Long.

Representative LONG. I have no opening statement, Mr. Chairman. However, I would like to welcome my colleague, Congressman John B. Breckinridge. I have had the privilege of serving with him on the Congressional Rural Caucus. I compliment him on the work he has done over the years. I know a good deal about the material he is going to be talking about. I would like to attest to its importance.

Senator BENTSEN. Congressman Breckinridge.

STATEMENT OF HON. JOHN B. BRECKINRIDGE, A U.S. REPRESENTATIVE IN CONGRESS FROM THE SIXTH CONGRESSIONAL DISTRICT OF THE STATE OF KENTUCKY AND CHAIRMAN, CONGRESSIONAL RURAL CAUCUS, ACCOMPANIED BY FRANK G. TSUTRAS, DIRECTOR, CONGRESSIONAL RURAL CAUCUS

Representative BRECKINRIDGE. Thank you, Mr. Chairman, and I want to thank Congressman Gillis W. Long.

Let me say on behalf of the caucus what a privilege it is to be with you today and to commend this subcommittee for the leadership it is taking in an area which has been completely ignored over the period of the past several decades.

I think it goes without much argumentation that the attention of the Nation for many reasons which we need not go into has been centered primarily on the problems of metropolitan America. Without intending in any way to derogate from the importance of those needs and the attention which they merit, I would only emphasize the fact that to the extent they have received attention, the rest of the country to which you and I are addressing our remarks this morning has not received attention.

I would like to take this opportunity, Mr. Chairman, to also acknowledge the fact that three of the members of the Rural Caucus happen to be members of your committee: Your chairman, the Honorable Richard Bolling of Missouri; the Honorable Gillis W. Long, a member of our executive committee as I have already indicated; and the Honorable Lee H. Hamilton of Indiana.

I would also like to put into the record the names of the other members of the executive committee who are responsible for the report which has been prepared for the consideration of the 95th Congress and which we will discuss briefly this morning. Then, too, the Honorable Bill Alexander of Arkansas, Max Baucus of Montana, Gunn McKay of Utah, Larry S. Pressler of South Dakota, and Charlie Rose of North Carolina; serving with me as vice chairmen of this bipartisan organization consisting of some 100 Members of the House are the Honorable Ed Jones of Tennessee and James T. Broyhill of North Carolina, both of whom serve as vice chairmen.

I would like if I might, Mr. Chairman, to submit for the record, two statements. First, my prepared statement, and then one which delineates in outline form, sections A through D, which I will submit for the record with the Chair's approval.

Senator BENTSEN. Without objection, the witness' prepared statement and the material referred to will be printed in the hearing record at the end of your oral remarks.

Representative BRECKINRIDGE. My prepared statement undertakes to give, in general, a perspective of our proposal.

Mr. Chairman, we have, to narrow the focus of our discussion this morning, come up with a $16.4 billion program that we have addressed to the House side during the first months of the 95th session of the Congress. That consists of $15.9 billion of loan authorization which in no way impact upon the Federal budget as they are moneys that are taken from the secondary market through the Federal Financing Bank.

They are not taxpayers' dollars in the sense that they come out of general revenues. They are private dollars that are invested in the private sector; and one of the significant aspects of the proposals which we will be discussing are the job creation aspects of those funds which, as I say, are investments rather than some of the other moneys which we have been voting lately for the purpose of stimulating our economy.

The caucus has spent the last 3 years, Mr. Chairman, in developing this proposal which has been tabled with the executive branch by letter dated February 1 of this year to the President; by conferences with the Director of the Office of Management and Budget, Mr. Burt Lance; with Mr. Bergland's office, the Secretary of Agriculture and his representatives, Alex Mercure, the Assistant Secretary for Rural Development and more particularly, Mr. Gordon Cavanaugh, a past member of our advisory team and who is now the Director of Administration of the Farmers Home Administration.

The purpose of these proposals, sir, is very simple. It is to finally implement as a matter of first priority the Rural Development Act of 1972 which you and I know has laid dormant on the books unfunded throughout the intervening 5 years.

The Congress in its wisdom at that date in history undertook to pull together all aspects of the Federal agency responsibility for rural America. Having adopted that legislation, however, unfortunately, I would say, probably primarily, because of a conflict in philosophies and the balance of power between the executive branch on the one hand and the legislative on the other, the Congress did not receive recommendations for the funding of these programs on the one hand and was unable therefore to initiate their funding on the other.

Wherever the fault may lie, which is not our concern, the fact remains that the programs have gone unfunded; and the $16.4 billion we are discussing is directed to that purpose. The caucus, I should say for the information of this committee, is not solely and entirely a Hill-based oriented group of Members of the House. We have created a 60-member organization off the Hill, as we call it, an advisory team representative of the constituency that supports this proposal. It is the National Rural Electric Co-op Association, the General Contractors of America, the Independent Bankers Association of America who have strongly supported this funding and these proposals in their entirety and in detail. We have involved our counties and our cities; the National Association of County Officials, for example, is on our steering committee and has participated in drafting and redrafting all of the papers which will be presented for the record this morning. With that background, Mr. Chairman, let me, if I may, talk to some of the specifics and some of the problems that you are addressing the attention of the Congress and the people to this morning.

That $16.4 billion is divided up between farm loan programs, housing loan programs, community and facility loans, and business and industrial loans. The significant thing to me in this mix which is basically $16 billion of loans, nontax moneys for the economy of America on the one hand and some $0.5 billion on the other in tax revenues is the stimulative effect that is implicit in the program. If we are able to put the seed money into our community and facility development areas to create the infrastructure, to facilitate the migration that our demographers tell us has been taking place since the early seventies from the metropolitan to the rural areas, we will be contributing significantly to the ability of those areas to absorb and receive those citizens who wish to return to rural America on the one hand and to insure the infrastructure, the base on which industry can feed, on which business can initiate itself and grow, and on which jobs can be founded.

I wish to emphasize this point over and over as we proceed. We are talking about the job-creating impact of private dollars primarily in the private sector that produces income tax earning revenues rather than tax deficits under a variety of the programs which we have before us.

This is not in any way to derogate from the various public service and public works programs that the administration has presented and the Congress is voting. It is to say that there is another way. It is to say that short of such programs, there is a tremendous force available throughout the private economy that can be brought into play and that will generate jobs in the magnitude of 1 million, 2 million, or 3 million in numbers depending upon the willingness of this Congress in this fiscal year of 1978 to take the action which we are recommending.

At that point, I would observe that although we were not successful on the House side in achieving the total funding of $16.4 billion, we did achieve something close to $2 billion more than was recommended in the Ford budget and something in the neighborhood of

$1.6 billion above that which was recommended by the Carter administration.

I am addressing the attention of this subcommittee, representative of both the Senate and the House, to the fact that outstanding remains some $8 billion of proposals which will be incorporated in specific detail by program in the record this morning.

Now, that $8 billion, if I may illustrate, is tantamount to a number of jobs that are identifiable on a formula which our experience indicates. We have been working with both the SBA, the Small Business Administration, and the Farmers Home Administration in discussing the advancing of these proposals; and I would like to say that we are advised—and I think these records are irrefutable—by the FmHA in an official report, that in terms of jobs created or saved from 1974 through the end of January of this year, they obligated just over $1 billion and they created or saved 123,455 jobs. That sort of a ratio in the private sector is producing jobs that are not deficit-financed jobs but are privately financed jobs and are taxpaying jobs.

In the area of business and industrial loan authorization, we find that the administration—when I say the administration, I am speaking of the executive branch of the Government, including the prior administrations as well as this one—and I must say also that the Congress has joined in what I consider to be a very shortsighted approach in the limitations of the funds which they have made available by way of authorizations through these agencies. Illustratively, as of December 31 of this past year, the Farmers Home Administration had preapplications for 471 business and industry loans totaling approximately $1.5 billion. That was tantamount to more than its total appropriation for the entire year. This agency and this program has been drastically and seriously underfunded. We have recommended, for example, an increase in the budget amount for this program from $350 million to $3 billion; and we are talking very simply there about the creation of virtually hundreds of thousands of jobs as will appear.

The Independent Bankers Association of America, who is one of our advisory team members and who has worked with us closely in the studying of this data and its preparation has this to point out: They have said to us that in a typical situation, a bank which may budget $500,000 for real estate loans could expand its loanable resources to $5 million with the benefit of a 90-percent guarantee.

Now, if we take a look at the $350 million for B. & I. loans available under the 1977 budget for FmHA, we go from that to $3 billion, we begin to apply a multiplying factor. Again, I repeat that that is at no cost to the taxpayer because these moneys are available to meet a private demand in a private sector from private funds for private jobs. We are talking about a multiplication process that almost becomes geometric. As of February 28 of this year, Mr. Chairman, the B. & I. program had a backlog of 891 applications approaching a stated demand of $1 billion. In other words, we went in $650 million short of the national demand as of February, 4 months ago, in a market that could absorb, I think, a limitless amount of these moneys.

The program that was known as the business and industrial program was created to provide for employment and improve the climate in rural communities. What are the risk elements that are involved in this type of Federal financing? I think the experience is one that will startle most of those not familiar with it. We find very simply that the loss ratio on these loans has been at the rate of one-tenth of 1 percent, a factor that I think is almost incalculable in commercial banking circles.

Banks with assets, incidentally, of less than $25 million throughout the crossroad communities of our Nation are the banks that will be doing the major portion of the business under the proposals which we are bringing to the committee's attention. Fifty-five percent of the agricultural credit of our economy is to be found in those small banks located in those small communities. I might say that the majority of the communities that, to date, have received these loans and taken advantage of them are in the neighborhood of 5,000 population and less.

As we know, although our statistical data—Mr. Chairman, what always happens when the House and the Senate get together has happened. I have a vote. I am not going to it. If I may, I will conclude my remarks here and probably miss that vote.

I want to illustrate, if I may, without going into further detail about the particular programs, the statistical data in connection with job creation abilities before this subcommittee for decision.

We have done an analysis involving the Small Business Administration's figures taken from the last administration. It is being reviewed by the current administration. We have taken studies and inspired studies within the Department of Agriculture. We have cleared in our own house on the congressional research side with our economists and we have worked closely with the House Budget Committee in the analysis of some of these data. I want to, if I may, illustrate what $1 billion will produce for us in these programs.

If we take the Small Business Administration and the 4,200 employees who are presently on their payroll, they cost you and me and our taxpaying friends $200 million a year. They have a loss ratio experience that anyone in Washington will give you ranging from 5 to 10 percent. I hear 6 percent, I hear 7; I take 5 percent as a ratio for mathematical purposes because the figures are so significant that the ratio does not matter.

That is a total cost to you and the taxpayer and to me of $3 million to invest in $2 billion in loans during the last calendar year.

Now, the return on that investment of $300 million works out as follows: On tax revenues and savings and at the State, Federal, and local level, we find this sort of a return on our investment. The Federal income tax per job at a $13,000 a year job average, which is what we are creating with this program, comes to $2,300 for a total of $62 million return on a $2 billion investment.

The Federal corporate tax comes to $1,100 and $34 a job for a return of $326 million. In Federal welfare savings, the jobs created by that $2 billion investment, we recoup $720 million; and then something that all of us have been struggling mightily to achieve, we reinvest by way of revenue receipts at the State and the local level in the way of returns of $2,114 per job.

Senator BENTSEN. Whose figures are these, Congressman?

Representative BRECKINRIDGE. These figures are Mr. Mitchell Kobelinski's, the immediate prior administrator of the Small Business

Administration, refined by the Congressional Research Service and worked up with the House Budget Committee. We get a total there—an approximate return, Mr. Chairman, of about $8,000 per job counting the welfare benefits. That comes to $2.3 billion a year return on a $200–$300 million investment. The investment is in private funds, nontax, nonrevenue dollars; and it is very simply one of the best buys in town. A more startling one is that available through the Farmers Home Administration. I will conclude my remarks with these data.

In 1976, in the business and industrial loan program, $457 million was loaned. They created or saved 55,136 private sector jobs. Now, these data really are startling; 135 employees managed that program at a cost to you and to me of $3 million. The losses on the loans in that program totaled $700,000, as an average. The result is that the total investment on the taxpayers' part is $3.7 million; we put out a half-a-billion in private funds to the private sector. Again, our return per job in revenue receipts at the Federal, State, and local level was $8,000; and our return in total was $444 million. Again private dollars in the private sector.

That, Mr. Chairman, results in a job creation ratio of $1 invested for every $147 of taxpayers' return—$1 of taxpayers' money to $147.

Senator Bentsen. How did they figure the interest rate on those loans?

Representative Breckinridge. What, sir?

Senator Bentsen. How did they figure the interest rate on those loans?

Representative Breckinridge. I do not have the interest tables before me, Mr. Chairman.

Senator Bentsen. Don't they have a floating rate based on the cost of their funds plus some margin for operating costs and that sort of thing?

Representative Breckinridge. There is a 1-percent charge. I think it is fair to say—and every conversation we have had with the banking community and with SBA and with FHA is based on a criteria, a loan criteria of past experience which will be covered by the 1-percent service charge.

Nothing that is being said and suggested in any way would deviate from that very conservative lending policy.

Senator Bentsen. Congressmen, I think they have a remarkable record, if you look at the problems you run into in the small country banks, which traditionally only loan out a small percentage of their deposits as compared to urban banks. In addition, they are traditionally quite conservative, as they have to be because they are not large enough to spread their risks. You have to have supplemental credit programs or the rural community just will not survive.

Representative Breckinridge. The chairman is quite right. As I noted earlier, under these loans, as Mr. Embry Easterly who happens to be—Mr. Long has left—he happens to have a Baton Rouge bank down there. He has some 90 corporate banks throughout his parish whose money he underwrites in this sort of campaign program. He has testified very simply to the effect that in his view, the numbers, the limitations, reflected in the $16.4 billion figure that I am playing with as it relates to loan authority are meaningless and empty and should be released. We met with them for the purposes of training, developing training programs for the small banks—it is his view that you multiply approximately tenfold the capital capacity of rural America by the maximum use of these programs.

We have Mr. Frank Gus Tsutras with us. He is our executive director.

The current Farmers Home Administration current interest rates, as of January 6 of this year, range from 5 percent—well, for loss loans, 5 percent—annual production major adjustment loans, 8 percent—watershed and resource conservation, 5.683 percent; ownership loans on which incidentally they have had a remarkable record and which we all recognize as an area of major importance to the economy, in getting the next generation on the farm and making it possible for them to buy a farm, the loss ratio there is seventeen one-hundredths of 1 percent.

Senator BENTSEN. What is the rate on new loans there, not on loans in being but on new loans?

Representative BRECKINRIDGE. Farm operating loans, 8 percent; farm ownership loans are at 5 percent.

Senator BENTSEN. Five percent on new loans?

Mr. TSUTRAS. That is a subsidized interest rate.

Representative BRECKINRIDGE. That is a subsidized interest rate, Mr. Chairman.

Senator BENTSEN. I understand that.

Representative BRECKINRIDGE. Again I repeat the loss ratio on that is seventeen one-hundredths of 1 percent.

Senator BENTSEN. Mr. Breckinridge, you show a great depth of knowledge of the subject. I think your contribution this morning is a very meaningful one. I think those numbers which have a tendency to blur in people's minds as they listen will be seen as significant upon reflection. Those loan loss ratios are really remarkable for a Government program. Your very salient point that you are getting the private sector involved I think is very significant.

Representaive BRECKINRIDGE. Mr. Chairman, I would like to offer the staff and the services of the Caucus in working with the subcommittee in any areas that would be useful to it.

Senator BENTSEN. Do you think a reorganization of the Agriculture Department would boost its ability to handle the rural development programs; and if so, where is it needed?

Representative BRECKINRIDGE. Let me say, Mr. Chairman, that the Caucus has taken a view without recommending any particular approach—and there are several being considered around town as the Chair knows, that we are lacking a national balanced development policy. We are lacking a rural development policy. We did put in place in the 1972 act, theoretically, the coordinating mechanism and authority within the Department of Agriculture; but nowhere at the Presidential level, nowhere at the Vice Presidential level, nowhere at the domestic council level is there an officer or office looking at this vast area of our country. I would think the Caucus would lend strong support to staffing there and then the strengthening within the Department of Agriculture. Some argue for a rural development program outside of the Department. Wherever a significant strengthening of that function and the expansion of its staff.

Senator **Bentsen**. Well, Mr. Breckinridge, down at 1600 Pennsylvania, we sure have a fellow who came off the farm. In the Department of Agriculture, we have a man who still actively farms. Certainly, they have the background and an understanding of the problem. I would think they would be sympathetic. We look forward to it.

Representative **Breckinridge**. Mr. Chairman, I have called on all of those gentlemen. I have found in each instance, including the Director of OMB, who started in a smalltown bank, that successfully grew to a large one, a complete familiarity with these programs, but some reservation as to the numbers. For obvious reasons, they brake on the new. I would like in closing, Mr. Chairman, if I may, urge the committee to pay particular attention to the fact that the outstanding $8 billion that the caucus is urging upon the consideration of the Congress are approximately 99-to-1 loan authorizations and do not impact upon the budget. We have already exceeded in preapplications the funds authorized to date. By the mere lifting of those numbers to those figures, we would send a signal throughout America and throughout the banking community to the effect that legitimate demand will be met on a timely basis and we will generate anywhere from 1 to 3 million jobs in the reasonably predictable short future. Thank you.

Senator **Bentsen**. Thank you very much, Congressman.

Representative **Breckinridge**. Thank you, Mr. Chairman.

[The prepared statement of Representative Breckinridge, together with the statement in behalf of the Congressional Rural Caucus follow:]

Prepared Statement of Hon. John B. Breckinridge

Mr. Chairman, and Members of the Joint Economic Committee, I am very grateful for the opportunity to appear before you today to discuss the economic problems of Rural America. It is about time that someone in the Congress stood up and took notice of the difficulties confronting our rural communities. The Congressional Rural Caucus welcomes your concern and we will be pleased to assist you in any way.

As Chairman of the Congressional Rural Caucus, I have had an opportunity to delve deeply into the myriad problems faced by rural communities in their attempts to sustain viable economic systems. Before going into the specifics of the Caucus proposals, however, it may be helpful to give you a little background of the Caucus and its work.

The Congressional Rural Caucus (CRS) is a bipartisan group composed of approximately 100 members of the House of Representatives who share a common concern for the orderly growth, development and quality of life in Rural America. The membership, which includes Congressmen from some 38 states and 2 territories, is expected to expand significantly this year. In addition to its Congressional membership, the Caucus has established what we call our Off-Hill Advisory Team (CRCAT) which, in turn, is made up of over 60 organizations representing various interests such as: agriculture, energy, financial resources, business and labor, health, housing, public works, rural development and other areas, all of which are of the utmost importance to the farmers and non-farmers who constitute nonmetropolitan America. The team includes both the public and private sectors, states, counties and municipalities, producers and consumers, employers and employees. This Advisory Team has proved invaluable in providing the Caucus with a pipeline to and from rural areas and has made, and will continue to make, important contributions to the Caucus' proposals for the 95th Congress.

In addition to our Advisory Team, the Caucus has set up a Task Force on Rural America within the Congressional Research Service of the Library of Congress. This task force, coordinated by Dr. Morton Schussheim, prepared in 1976 a series of background reports on Rural America, including:

Community Facilities in Rural Areas: The Federal Role, by Philip Winters.

Financing Rural Development: Credit Needs and Resources, by F. Jean Wells.

Report on Rural America: Transportation, by Leon H. Cole and Stephen J. Thompson.

Federally Assisted Housing in Rural America, by Richard L. Wellons.

Local Implementation of National Rural Development Programs and Policies, by Sandra S. Osbourn.

Trends in Rural Employment, by Jeffrey H. Burton.

Educational Problems and Federal Alternatives, by Paul M. Irwin.

Health of and Health Services for Rural America, by Herman Schmidt.

Some Economic and Social Trends in Non-Metropolitan America, by Anne M. Smith.

Environmental Protection and Rural Development, by Susan R. Abbasi and W. Wendell Fletcher.

Out of these reports and input from our Advisory Team and other interested persons both in and out of the Federal government, the Caucus fashioned its Budget Proposals for Selected Rural Loan, Grant and Special Programs for Fiscal 1978, along with recommendations for Administrative, Legislative, Legislative Oversight and Budgetary action. I would like, with your permission, to submit a copy of our proposal for your record.

The main problem with our rural economics today is not that federal programs to assist non-metropolitan communities in achieving balanced growth and a stable economic environment do not exist. These programs do exist and are in place. In the 1970 Farm Bill, Congress committed itself to "a sound balance between rural and urban America", which it considered "so essential to the peace, prosperity and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas." Then in 1972, with great fanfare, the Rural Development Act was passed, the overall purpose of which was "to provide for improving the economy and living conditions in Rural America." Substantial loan and grant programs were set up to be administered by the Farmer's Home Administration (FmHA), and many people foresaw an end to the years of neglect of our rural areas.

Then a funny thing happened. Congress appropriated only a fraction of the amounts authorized in the Rural Development Act and the Executive Branch, through a policy of considered neglect, tried to prevent even that small amount from getting out to the non-metropolitan communities that so desperately needed it.

With the advent of the Carter Administration and the changes that have been made in the direction and personnel of the Agriculture Department, this situation may be changing. The hostility to rural areas has subsided and there are even a few rural proponents within the Administration. However, there is still no official Rural Development Advocate in the Executive Branch who has the authority, funding or staff to insure a fair and equitable access to and delivery of programs and services available to rural people. Nor are there even the outlines of a comprehensive national policy on rural development.

I heard on the news the other morning that the administration was concerned with the population migration away from our larger cities and was considering policy changes to reverse this trend. If this is to be the policy of the Carter administration, few changes would be needed to implement it. The way things are today, when a former urban dweller gets to the country and discovers the lack of adequate housing, the lack of community facilities, such as adequate water and waste disposal and lack of employment opportunities, he is likely to scurry immediately back to the city, even with its overcrowding, pollution and crime. This is not the way the CRC envisions the scenario, however.

We believe that if our proposal is adopted an attractive rural environment can be created, that will provide stable growth opportunities, which will in turn help alleviate some of the overcrowding and unemployment problems in our metropolitan areas.

The CRC budget proposal for the 95th Congress calls for the maximum utilization of already existing and proven loan and grant programs under the FmHA and the Small Business Administration, where applicable, making financial resources available to accommodate America's rapidly expanding credit needs. It is also directed at stimulating the economy through the protection of existing jobs, plus the creation of new and additional jobs, with private funds in the private sector. This results in tax revenues from wages and salaries as well as profits for farm and non-farm enterprises. Under the proposal jobs will be created at a profit to the taxpayer without deficit financing. This program could potentially produce in the neighborhood of 2 to 3 million private sector jobs. Most importantly, it is more than 95 percent privately, nontax dollar funded.

Specifically, the report includes recommendations for selected FmHA programs funding levels of $557 million for grant appropriations, and $15.9 billion for loan level authorizations by the appropriations committees, totalling $16.4 billion.

The proposed $557 million grant appropriations include $85 million for rural housing programs, $397 million for community programs, and $75 million for business and industrial programs, all of which are appropriated items.

The recommended $15.9 billion loan authorization levels include $2.3 billion for farmers programs, $6.6 billion for rural housing programs, $4 billion for rural community programs, and $3 billion for business and industrial programs. All of these do not directly add to federal budget outlays inasmuch as, with the exception of certain interest subsidies and "losses", insured loans are not paid out of the Federal treasury. These loans are resold through the Federal Financing Bank, and guaranteed loans do not appear in the federal budget except as "losses" occur. The subsidies or losses are offset by more than a 100 percent return on the taxpayers investment.

One of the potential problems with such substantial increases in loan and grant funding as recommended by the CRC is the claim by FmHA that they do not have adequate staffing to put these amounts out into rural areas and still maintain their strict standards and remarkably low loan-loss ratio. One way to partially remedy such difficulties would be to increase the FmHA staffing to adequate levels. There is a statutory staff ceiling at FmHA of 7,400. However, there are only about 7,100 people currently employed. It has been estimated by various sources on our Advisory Team that a staffing level of 9,000 is actually needed, and we hope progress can be made toward attaining this level.

In conjunction with this recommendation we believe that far greater efficiency could be achieved by the present limited FmHA staff if the agency would place greater responsibility for loan approval with the regulated financial institutions. Those financial institutions which exercise good credit judgment and maintain satisfactory records for loan repayment could be given discretionary authority to process loans on an automatic or semi automatic basis. This would expedite loan procedures and would help eliminate unnecessary federal paperwork and personnel. Effective monitoring by Federal agencies could insure public accountability. We have discussed these ideas with officials in the USDA, and they are very interested in developing such a procedure.

One of the most important aspects of the Caucus proposals and the full implementation of the Rural Developemnt Act are their potential job creation effect. Our studies have shown that the loan programs under FmHA and other Federal agencies are being seriously overlooked as employment programs. They are, in fact, the most fiscally sound way in which the Government can encourage job creation.

Department of Agriculture figures show that in fiscal 1976 and the transition quarter FmHA made 244,208 loans totalling over $6.9 billion and 1,433 grants for a total of over $287.3 million. With those loans and grants FmHA created or saved 1,055,728 private sector jobs. Thus, with a Federal outlay of only $287 million (the loan levels do not result in Federal outlays except to the extent of interest subsidies or if losses occur). FmHA created over 1 million jobs. That is a little more than $200 per job, a miniscule amount compared to the cost of public service or public works jobs. In addition, these were private sector jobs, jobs that create rather than consume revenues. The American taxpayer takes in far more in revenues at the Federal, State and local levels than is expended for grants or in covering the loan losses.

Congressional Research Service figures show that based on the average national salary, the Federal, State and local governments will receive approximately $8,000 from each employed person in tax revenues and welfare and unemployment savings. These programs create jobs at a profit to the taxpayer.

FmHA has traditionally had an extremely low loan-loss ratio. For example, losses on community program loans have been .005 percent, and the Business and Industrial loan losses have totaled only 0.6 percent. During the agency's entire history write-offs have totaled slightly more than one percent of all money loaned—a remarkable record.

An example of the potential benefits from substantial increases in FmHA loan guarantee authority came in testimony at hearings earlier this year on the CRC proposals. Mr. Embree Easterly of the Independent Bankers Association of America stated that:

"In a typical situation, a bank which may budget $500,000 for real estate loans could expand its loanable resources to $5 million with the benefit of a 90 percent guarantee. Under the 1977 budget, FmHA allocated $350 million for B&I loans. As of February 28, 1977, FmHA had a backlog of 891 applications exceeding $991 million. The average loan is $654,000 which would only provide for 535 projects in the current fiscal year. During the current fiscal year guaranty loan allocations have already been exhausted in many states." Mr. Easterly's experience shows a substantial, unmet demand for credit in Rural America. For the most part these loan applications come from sound credit risks, people who could be putting this money to work and creating jobs if only Federal guarantees made funding available.

In recent years, the migratory trend from rural to urban areas has been arrested and reversed. People are leaving metropolitan centers in unprecedented numbers. These people need jobs, housing and community facilities. Small communities can not cope with the problems of massive influxes of population alone. The Rural Development Act, if fully funded can meet the needs of these communities and help solve our national unemployment problems at the same time—all at a net profit to the taxpayer.

On February 24 I met with President Carter to discuss the CRC package. The President displayed complete familiarity with the Rural Development Act, and in fact told me that as governor of Georgia, he had testified in its favor. Jimmy Carter knows first hand needs of Rural America. He indicated a keen interest in our proposal and has directed its study internally by his Administration. I have also visited with OMB Director Bert Lance and others in his office about the Caucus proposals, and he too expressed understanding and interest in our recommendations.

On March 3 and 4 the CRC, in conjunction with the House Agriculture Committee's Subcommittees on Conservation and Credit, and Family Farms, Rural Development and Special Studies, and the Small Business Committees' Subcommittee on Antitrust, Consumers and Employment, held joint hearings on the CRC recommendations. We received testimony from individuals and groups representing a broad spectrum of American society including farmers, financial institutions, professional engineers and contractors, consumer groups, and other segments of both the public and private sectors, including a panel from the Department of Agriculture led by Alex Mercure, Assistant Secretary for Rural Development. Testimony was strong in its support for the CRC proposal.

After those hearings the full House Committee on Agriculture in two separate votes of 21–6 and 34–3 endorsed both the grant and loan requests of the CRC, with the exception of the housing proposals which were not in its jurisdiction.

On March 25, the Caucus appeared before the House Appropriations Subcommittee on Agriculture and Related Agencies. That subcommittee and subsequently the full Appropriations Committee increased the President's budget requests for Rural Development Act programs by approximately $2 billion. However, they trimmed some $8 billion from the Caucus recommendations which could be used to great advantage in our rural communities.

The House of Representatives will act on the Agriculture Appropriations bill this week and there seems to be little chance of significantly increasing the Rural Development appropriation on the floor. Our next hope is for the Senate to add to the amounts appropriated by the House, and in furtherance of that hope the Caucus has been in contact with Senator Thomas F. Eagleton, and the Senate Subcommittee on Agriculture and Related Agencies.

I cannot impress upon you too strongly our belief in and support for this program. Rural America stands ready to join with the rest of the country in working toward balanced national growth, but we can't do the job without adequate assistance from the Federal Government. Towns and counties need planning assistance, water, waste disposal, fire stations and other community facilities. Farmers need loans to keep them on the land producing food and fiber for America and the world. Young potential farmers need credit if the family farm is to remain a viable entity in this country. Most of all we need jobs, new nondeficit, private sector jobs that provide a permanent and growing economic and revenue base for our communities.

To provide all these things we are not asking for a lot of Federal dollars. Most of the money in the CRC budget request is in the form of guaranteed and insured loans for which there are no treasury outlays. Yet, despite the relatively small expenditures the potential benefits for the country as a whole are enormous. We ask that you give them full and careful consideration. Thank you.

STATEMENT OF HON. JOHN B. BRECKINRIDGE, CHAIRMAN OF THE CONGRESSIONAL RURAL CAUCUS, U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman, in behalf of the Congressional Rural Caucus and the Congressional Rural Caucus Advisory Team, thank you and the distinguished members of the Subcommittee on Economic Growth and Stabilization, the Joint Economic Committee, for the opportunity to meet with you to discuss rural economic problems and solutions, as well as the CRC Budget Proposals for Selected Rural Loan, Grant, and Special Programs for fiscal year 1978.

The CRC is honored that three of our members serve with distinction on the Joint Economic Committee. Your Chairman, the Honorable Richard Bolling of Missouri, together with the Honorable Gillis W. Long of Louisiana and the Honorable Lee H. Hamilton of Indiana, are recognized as outstanding legislators and rural-oriented advocates and supporters.

I am pleased to have with me Frank G. Tsutras Director of the Congressional Rural Caucus, who is available for discussion during this hearing.

For the record, I take this opportunity to recognize other Members of Congress who serve with me on the Congressional Rural Caucus executive committee: The honorable Bill Alexander of Arkansas, Max Baucus of Montana, Gillis Long of Louisiana, Gunn McKay of Utah, Larry S. Pressler of South Dakota, and Charlie Rose of North Carolina, the honorable Ed Jones of Tennessee, and the honorable James T. Broyhill of North Carolina serve as Vice Chairmen of the Congressional Rural Caucus.

In response to the stated purpose of the hearing which is concerned with rural economic problems, the Congressional Rural Caucus statement is presented in several major headings, together with enclosures which contain detailed comments and recommendations. The following outline includes each section.

Section A

A. Major economic problems for rural communities.

B. Are existing rural programs adequately funded? The CRC budget proposals for selected rural loan, grant, and special programs for fiscal year 1978 compared with the report of the House Committee on Appropriations (H. Rept. 95-384) and the differences between the two proposals as of June 13 1977.

C. The CRC budget proposals for selected rural loan, grant, and special programs for fiscal year 1978.

D. The Congressional Rural Caucus and the Congressional Research Service.

A. MAJOR ECOMOMIC PROBLEMS FOR RURAL COMMUNITIES

1. How does one define major economic problems" rural" and balanced national growth" (Refer to enclosed CRS/LC report, definitions dated February 4, 1976.)

2. "What Congress and the administration can and should do" is overshadowed by what Congress and the administration "have" or "have not" done.

3. Our Nation does not have a Balanced National Growth and Economic Development Policy.

4. Our Nation does not have a National Rural Development Policy.

5. Our executive branch does not have an official rural development advocate, office, or policy in the Office of the President, the Office of the Vice President, the Office of the Domestic Council, the Office of the Council of Economic Advisers, the Office of Management and Budget, or the Federal Reserve System.

6. Our executive branch agencies and organizations do not have an official rural development advocate, office, or policy with adequate authority, responsibility, staff, and funding to insure a fair and equitable access to, and delivery of, programs and services otherwise available from existing Federal statutes; for example, the Department of Commerce, Health, Education, and Welfare, Housing and Urban Development, Labor, Defense, Transportation, Environmental Protection Agency, Federal Energy Administration, Federal Disaster Assistance Administration, and others.

7. The Congress, as the elected legislative body of the Nation, has been, and continues to be, too conservative in its response to the needs of rural communities.

8. The U.S. Department of Agriculture, especially the Farmers Home Administration, has suffered from past leadership, policies, and philosophies, inadequate qualified staff and management, and inadequate funding with which to do that which the Congress intended for rural communities.

9. The Congress virtually "dumped" various programs on FmHA, substantially increasing its financial burden and responsibility without any proportionate increase in qualified staff with which to take care of such increased workload.

10. Within the Congress, there are two committees and subcommittees specifically charged with the legislative jurisdiction for rural development—the House Committee on Agriculture (Subcommittee on Family Farms, Rural Development, and Special Studies) and the Senate Committee on Agriculture and Forestry (Subcommittee on Rural Development). Neither committees or subcommittees are adequately funded and staffed to fulfill their respective duties and responsibilities for rural communities. The subject of "Family Farms" and "Rural Development" is a full time challenge, as well as "Special Studies" which must be considered. As a member of this subcommittee, I can attest to these items.

11. The Congress and the executive branch must share the responsibility for the failure to fully and effectively implement the provisions of the Rural Development Act of 1972 (Public Law 92–419) since its enactment on August 30, 1972.

12. The Office of Management and Budget influence and recommendations to the President and the Congress do not reflect the real financial resources and credit needs of rural communities so that the Congress can appropriate funds for domestic programs with appropriate input and response from the Executive Branch. Compared with financial assistance programs of the World Bank, the International Monetary Fund, and the Export-Import Bank, and other international financial assistance institutions, rural communities can not, and do not, understand the reasoning for low interest—and sometimes—non-interest loan and grant packages to international borrowers when lower interest rates on the domestic scene are opposed because of "inflation" and other reasons. In other words, "charity begins at home".

13. The allocation of Federal funds to the State, counties, and local entities quite often works to the disadvantage of rural communities which are not adequately apprised of such opportunities and often incapable of applying or complying with the Federal rules and regulations concerning same.

14. The Federal Register was not, and is not, meant to be understood by rural communities, much less more sophisticated readers. Its content must be easier to read and understood by those who must comply with the material included. The Federal Register continues to be loaded with language which is confusing and unnecessary.

15. Note: The attention in this section of the CRC statement is primarily concerned with major problems at the national level which adversely or otherwise impact on rural communities at the local levels.

16. There is a real need for the executive branch to come forth with the firm statement that a National Rural Development Policy will be a reality during the next several months so that proper and effective planning can take place.

17. The familiarization with the Congressional Budget and Impoundment Control Act is a confusing legislative process which has created fiscal problems for rural communities and programs.

B. ARE EXISTING RURAL PROGRAMS ADEQUATELY FUNDED? THE CRC BUDGET PROPOSALS FOR SELECTED RURAL LOAN, GRANT, AND SPECIAL PROGRAMS FOR FISCAL YEAR 1978 COMPARED WITH THE REPORT OF THE HOUSE COMMITTEE ON APPROPRIATIONS (H RPT 95–384) AND THE DIFFERENCES BETWEEN THE TWO PROPOSALS AS OF 13 JUNE 1977

1. The enclosed copy of letter, dated June 9, 1977, from CRC Chairman John B. Breckinridge to Senator Thomas F. Eagleton, Chairman of the Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations, is self-explanatory.

2. There is a definite need for additional funds with which to fully and effectively implement the provisions of the Rural Development Act.

3. The CRC budget proposal is designed to not only create, but to save, jobs in rural communities, utilizing the private sector via increased loan authorization levels for existing guaranteed and insured loan programs. Existing FmHA and SBA lending programs, when working together, can provide the most effective financial resources available to stimulate the economy of this nation through the private sector.

C. THE CRC BUDGET PROPOSALS FOR SELECTED RURAL LOAN, GRANT, AND SPECIAL PROGRAMS FOR FISCAL YEAR 1978

1. The enclosed copy of "Contents of CRC budget proposals for selected rural loan, grant, and special programs"—fiscal year 1978 is for your information and action. It includes recommendations according to administrative action—legislative action—legislative oversight action—and budgetary action.

2. Includes recommendations pertaining to FmHA selected program funding levels, FmHA salaries and expenses, Title V of the Rural Development Act, Rural Development and Small Farm Research and Education, the Rural Development Service, the Emergency Livestock Credit Act, Title VI of the Rural Development Act, miscellaneous comments and recommendations for all the foregoing subjects, the Department of Agriculture, miscellaneous, and special subjects.

Special Subjects include FmHA—1 Percent Rule—Special Report (The original content has changed.) the Federal Financing Bank: brief narrative on the ACIF (Agricultural Credit Insurance Fund), the RDIF (Rural Development Insurance Fund), and the RHIF (Rural Housing Insurance Fund): brief report on Status of Implementation—Rural Development Act (As of January 1976). brief report on Public Jobs Programs, Water and Waste Disposal Projects, and Rural Areas: and brief report on the Federal Register Simplification for Readability and Understandability.

The financial portion of this report was the basis for the final CRC budget proposals for selected rural loan, grant, and special programs for fiscal year 1978, including a total of $16.4 billion, consisting of $15.9 billion loan authorization levels ad $557 million grant levels. This is covered in a separate part of this statement.

3. Includes recommendations pertaining to part X—selected programs; comments and recommendations. Part XI, to (FmHA obligations for fiscal year 1976 and the transition quarter) and part XII to (FmHA current interest rates as of January 6, 1977).

Part X. Selected programs, comments and recommendations is grouped by subjects, such as Agriculture, Energy, and Natural Resources, Education, Financial Resources, Health, Housing, Human Resources, Internal Administration, Public Works and Related Facilities; also to Environment, Water and Waste Disposal, the Rural Development Act, Rural Disadvantaged, Transportation and Communication, and to Congress and the executive branch. These subjects were revised and consolidated during the first quarter of 1977 to conform with a revised CRC Committee structure.

Part XI. FmHA obligations by program for fiscal year 1976 and the transition quarter include farm, housing, community services, business and industrial, fire protection grants, and administrative expenses programs as of January 6, 1977.

Part XII. FmHA current interest rates include program interest rates as of January 6, 1977.

As you review this portion of the CRC report, please note that each item will be presented to all CRC members and the CRC Advisory Team for respective evaluation, revision, correction, and rewriting, the results of which will be a completely revised program for the 95th Congress to be adopted by the CRC and the CRC Advisory Team. Do not consider all narrative comments and recommendations as final. Additional input is encouraged. A revised report will be prepared.

For your information, over 500 copies of this CRC budget proposals for selected rural loan, grant, and special programs for fiscal year 1978 were mailed to the President (and staff); the Vice President; the Director of the Office of Management and Budget (and staff); the Chairman of the House Committee on the Budget (and staff); the Chairman and members of the House Subcommittee on Agriculture and Related Agencies (Appropriations) (Special two hours hearing); the CRC and CRC Staff Designees; the CRC Advisory Team, and several Congressional, Executive Branch, and other Governmental and non-Governmental representatives.

D. THE CONGRESSIONAL RURAL CAUCUS AND THE CONGRESSIONAL RESEARCH SERVICE

1. The enclosed copy of rural development goals: Critique of the second annual report of the Secretary of Agriculture to the Congress, prepared at the request of the Congressional Rural Caucus, by the Congressional Research Service, Library of Congress, dated August 22, 1975, is respectfully enclosed for your information and action. (Extra copies can be obtained at the Congressional Research Service. The Congressional Rural Caucus does not have any extra copies for distribution.)

2. The Congressional Rural Caucus also requested a similar critique of the third annual report by the Congressional Research Service, copies of which are not available from the Congressional Rural Caucus office, but which can be requested from the Congressional Research Service.

Section B

Congressional Rural Caucus,
U.S. House of Representatives,
Washington, D.C., June 9, 1977.

Senator Thomas F. Eagleton,
Chairman, Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations, Dirksen Senate Office Building, Washington, D.C.

Dear Tom: In furtherance of our recent meeting in your office concerning the CRC Budget Proposal for selected rural loan, grant, and special programs for fiscal year 1978, the following selected agricultural and rural development program recommendations are presented for your personal consideration and for the Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations.

Column A includes the CRC budget proposal. Column B includes the recommendations of the House Committee on Appropriations (HRpt 95-384). Column C includes the differences between the CRC budget proposal and the recommendations of the House Committee on Appropriations. These differences are presented for action by the Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations.

FARMERS HOME ADMINISTRATION

[In millions of dollars]

	A	B	C
Farm programs (loan authorization levels):			
Emergency loans (321) (can increase as needed)	200.0	200.0	([1])
Farm ownership loans (303)	1,000.0	450.0	550.0
Operating loans (311)	1,000.0	750.0	250.0
Soil and water loans (304)	60.0	48.0	12.0
Irrigation, drainage, and grazing loans (306)	10.0	10.0	([1])
SCS loans (Public Law 88-466, sec. 8; Public Law 87-703, sec. 102)	30.0	27.0	3.0
Indian land acquisition loans (306)	11.0	10.0	1.0
Recreation loans (304)	5.0	2.0	3.0
Total	2,316.0	1,497.0	819.0
Housing programs (loan authorization levels):			
Low-income housing loans (502)	3,000.0	1,830.0	1,170.0
Moderate-income housing loans (502)	2,000.0	750.0	1,250.0
Guaranteed housing loans (502)[3]	500.0	1,000.0	[2] 500.0
Rental housing loans (515)	1,000.0	690.0	310.0
Farm labor housing loans (514)	25.0	10.0	15.0
Housing repair loans and others (504)	20.0	15.0	5.0
Mutual and self-help housing site loans and technical assistance (523)	10.0	0	10.0
Site loans (524)	5.0	3.0	2.0
Mobile home park loans (527)	2.0	1.0	1.0
Predevelopment loans (525b)	3.0	0	3.0
Total	6,565.0	4,299.0	2,266.0
Communities facilities programs (loan authorization levels):			
Water and waste disposal loans (306)	3,000.0	750.0	2,250.0
Community facility loans (306)	1,000.0	250.0	750.0
Total	4,000.0	1,000.0	3,000.0
Business and industrial programs (loan authorization levels): Business and industrial loans (310B) (total)	3,000.0	1,000.0	2,000.0
Total, loan authorization levels	15,881.0	7,796.0	8,085.0
Housing programs (grant levels):			
Farm labor housing grants (516)	25.0	7.5	17.5
Housing repair grants (504)	20.0	5.0	15.0
Mutual and self-help housing site grants and technical assistance (523)	10.0	9.0	1.0
Housing research grants (506)	10.0	0	10.0
Rent supplement (521)	15.0	0	15.0
Technical assistance grants (525)	5.0	0	5.0
Total	85.0	21.5	63.5
Community facilities programs (grant levels):			
Water and waste disposal planning grants (306)	30.0	0	30.0
Water and waste disposal grants (306)	300.0	250.0	50.0
Rural community fire protection grants (title IV)	7.0	3.5	3.5
Rural development planning grants (306)	10.0	0	10.0
Pollution abatement project grants (310B)	50.0	0	50.0
Total	397.0	253.5	143.5
Business and industrial programs (grant levels):			
Rural development grants (310B)	50.0	10.0	40.0
Small enterprise pollution abatement grants (312)	25.0	0	25.0
Total	75.0	10.0	65.0
Total, grant levels	557.0	285.0	272.0
Recap—All totals in foregoing sections of this report:			
Total loan authorization levels	15,881.0	7,796.0	8,085.0
Total grant levels	557.0	285.0	272.0
Total, loan and grant levels	16,438.0	8,081.0	8,357.0
Farmers Home Administration salaries and expenses (Total FmHA salaries and expenses)	225.0	182.6	43.4
Title V. Rural development and small farm research and education:			
Sec. 502(a), rural development extension	2.5	1.5	1.0
Sec. 502(b), rural development research	2.5	1.5	1.0
Sec. 502(c), small farm extension, research, and development	15.0	0	15.0
Total, title V	20.0	3.0	17.0

[1] Not available.

[2] Over.

[3] FmHA has been unable to fully expend annual levels for the guaranteed housing loans (502). Professional housing resources input indicates that serious consideration should be given to defining program coverage for moderate income or for above-moderate income borrowers. Strong comments are expressed both ways.

Note: CRC recommended staff levels of approximately 9,000 (approximately 1,600 above present level). Committee recommended staff levels of not less than 7,440 (including transfer of 40 from Rurral Development Service) with authorization to increase existing level by an additional 300. Total committee figure is $186,100,000 which includes $3,500,000 transfer from loan accounts.

The enclosed, for your personal information, is a semifinal draft of a CRC special report to its membership and the CRC Advisory Team and attachments which I trust will prove helpful to you in your evaluation of selected agricultural and rural development programs.

With best wishes, I remain

Sincerely yours,

JOHN B. BRECKINRIDGE, M.C.,
Chairman, Congressional Rural Caucus.

SUBJECT: COMPARISON OF FUNDING LEVELS AND FISCAL YEAR 1978 BUDGET PROPOSALS FOR SELECTED FARMERS HOME ADMINISTRATION PROGRAMS

[In millions of dollars]

Year and programs	Loan levels	Grant levels	Total levels
1974:			
Farm	1,044.3	NA	1,044.3
Housing	1,779.5	13.9	1,793.4
Community facilities	519.8	23.8	543.6
Business and industrial	200.0	10.0	210.0
Total	3,543.5	47.7	3,591.3
1975:			
Farm	1,678.4	NA	1,678.4
Housing	2,234.3	10.6	2,244.9
Community facilities	670.0	160.5	830.5
Business and industrial	350.0	13.8	363.8
Total	4,932.7	184.9	5,117.6
1976:			
Farm	1,572.0	NA	1,572.0
Housing	2,706.0	0	2,706.0
Community facilities	670.0	125.0	795.0
Business and industrial	350.0	2.5	352.5
Total	5,298.0	127.5	5,425.5
1977:			
Farm	1,272.0	NA	1,272.0
Housing	3,711.0	21.5	3,732.5
Community facilities	800.0	203.5	1,003.5
Business and industrial	350.0	10.0	360.0
Total	6,133.0	235.0	6,638.0
1978 Ford budget proposal:			
Farm	1,370.0	NA	1,370.0
Housing	3,711.0	0	3,711.0
Community facilities	800.0	50.0	850.0
Business and industrial	350.0	0	350.0
Total	6,231.0	50.0	6,281.0

SUBJECT: COMPARISON OF FUNDING LEVELS AND FISCAL YEAR 1978 BUDGET PROPOSALS FOR SELECTED FARMERS HOME ADMINISTRATION PROGRAMS—Continued

[In millions of dollar]

Year and programs	Loan levels	Grant levels	Total levels
1978 Carter budget proposal:			
Farm	1, 370. 0	NA	1, 370. 0
Housing	3, 711. 0	12. 5	3, 723. 5
Community facilities	800. 0	200. 0	1, 000. 0
Business and industrial	350. 0	0	350. 0
Total	6, 231. 0	212. 5	6, 443. 5
1978 CRC budget proposal:			
Farm	2, 316. 0	NA	2, 316. 0
Housing	6, 565. 0	85. 0	6, 650. 0
Community facilities	4, 000. 0	397. 0	4, 397. 0
Business and industrial	3, 000. 0	75. 0	3, 075. 0
Total	15, 881. 0	557. 0	16, 438. 0
1978 House Committee on Agriculture budget task force budget proposals (limited):			
Farm	NA	NA	NA
Housing	NA	NA	NA
Community facilities	NA	223. 5	223. 5
Business and industrial	NA	10. 0	10. 0
Total	NA	233. 5	233. 5
1978 House Committee on Agriculture:			
Farm	2, 316. 0	NA	2, 316. 0
Housing	NA	NA	NA
Community facilities	4, 000. 0	397. 0	4, 397. 0
Business and industrial	3, 000. 0	75. 0	3, 075. 0
Total	9, 316. 0	472. 0	9, 788. 0
1978 House Committee on Appropriations (Subcommittee on Agriculture and Related Agencies):			
Farm	1, 497. 0	NA	1, 497. 0
Housing	4, 299. 0	21. 5	4, 320. 5
Community facilities	1, 000. 0	253. 5	1, 253. 5
Business and industrial	1, 000. 0	10. 0	1, 010. 0
Total	7, 796. 0	285. 0	8, 081. 0
1978 Senate Committee on Appropriations (Subcommittee on Agriculture and Related Agencies):			
Farm			
Housing			
Community facilities			
Business and industrial			
Total			

☞ Note: Action related primarily to grant levels within jurisdiction of the House Committee on Agriculture. Housing was not considered. Full committee voted 34 to 3 in favor of loan levels and 21 to 6 in favor of grant levels. Housing was not considered. Above grant total of $472,000,000 does not include an additional $20,000,000 for title V, Rural Development Act, Small Farm Research, Education, and Rural Development.

SECTION C

CRC BUDGET PROPOSALS FOR SELECTED RURAL LOAN, GRANT, AND SPECIAL PROGRAMS—FISCAL YEAR 1978

[Dollars amounts in millions]

	1976	1977 President Ford proposal	1977 CRC proposal	1978 President Ford proposal	1978 CRC proposal
PART I.—FmHA SELECTED PROGRAM FUNDING LEVELS					
A. Farmer programs:					
1. Emergency loans (321)[1]	400.0	100	400.0	200	200
2. Farm ownership loans (303)	450.0	350	476.5	450	1,000
3. Operating loans (311)	625.0	625	725.0	625	1,000
4. Soil and water loans (304)	54.0	4	54.0	48	60
5. Grazing loans (306)	4.0	4	4.0	4	10
6. SCS loans (Public Law 83-566, sec. 8), (Public Law 87-703, sec. 102)	27.0	27	27.0	27	30
7. Indian tribal land acquisition loans (306)	10.0	10	10.0	10	11
8. Recreation loans (304)	2.0	2	2.0	1	5
9. Total farmer programs	1,572.0	1,122	1,698.5	1,365	2,816
B. Housing programs:					
1. Low income housing loans (502)	1,503.0	1,454	1,874.0	1,481	3,000
2. Moderate income housing loans (502)[2]	840.0	838	1,238.0	901	2,000
3. Above moderate income housing loans (502)	0	0	0	700	500
4. Rental housing loans (515)	340.0	400	600.0	600	1,000
5. Farm labor housing loans (514)	0	0	10.0	10	25
6. Housing repair loans and other (504)	20.0	20	20.0	15	20
7. Mutual and self-help housing site loans and technical assistance (523)	0	0	1.0	0	10
8. Site loans (524)	3.0	3	3.0	3	5
9. Mobile park loans (527)	0	1	1.0	1	2
10. Predevelopment loans (525b)	0	0	0	0	3
11. Total housing program loans	2,706.0	2,716	3,747.0	3,711	6,565
12. Farm labor housing grants (516)	0	0	1.0	0	25
13. Housing repair grants (504)	0	0	0	0	20
14. Mutual and self-help housing site grants and technical assistance (523)	0	0	9.0	0	10
15. Housing research grants (506)	0	0	0	0	10
16. Rent supplements (521)	0	0	0	0	15
17. Technical assistance grants (525)	0	0	0	0	5
18. Total housing program grants	0	0	10.0	3,711	85
19. Total housing programs	2,706.0	2,716	3,757.0	3,711	6,650
C. Community programs:					
1. Water and waste disposal loans (306)	470.0	470	1,400.0	600	3,000
2. Community facility loans (306)	200.0	200	542.0	200	1,000
3. Total community program loans	670.0	670	1,942.0	800	4,000
4. Water and waste disposal planning grants (306)	0	0	30.0	0	30
5. Water and waste disposal development grants (306)	125.0	0	300.0	50	300
6. Rural community fire protection grants (title IV, RDA)	0	0	7.0	0	7
7. Rural development planning grants (306)	0	0	10.0	0	10
8. Pollution abatement project grants (310b)	0	0	50.0	0	50
9. Total community program grants	125.0	0	397.0	50	397
10. Total community programs	795.0	670	2,339.0	850	4,397
D. Business and industrial programs:					
1. Total business and industrial loans (310B)	350.0	350	1,100.0	350	3,000
2. Rural development grants (310B)	2.5	0	50.0	0	50
3. Small enterprise pollution abatement grants (312)		0	25.0	0	25
4. Total business and industrial grants	2.5	0	75.0	0	75
5. Total business and industrial programs	352.5	350	1,175.0	350	3,075

See footnotes at end of table.

CRC BUDGET PROPOSALS FOR SELECTED RURAL LOAN, GRANT, AND SPECIAL PROGRAMS—FISCAL YEAR 1978—Continued

[Dollars amounts in millions]

	1976	1977 President Ford proposal	1977 CRC proposal	1978 President Ford proposal	1978 CRC proposal
E. Total FmHA selected program funding levels	5,424.0	4,858	8,969.5	6,276	16,438
1. Total FmHA selected program funding loan levels	5,298.0	4,858	8,488.5	6,226	15,881
2. Total FmHA selected program funding grant levels	127.5	0	491.0	50	557
PART II.—FmHA SALARIES AND EXPENSES					
A. Total FmHA salaries and expenses	158.6	167.7	210	181.7	225
B. Personnel summary [3]					
1. Total number of permanent positions	7,000	7,000	8,600	7,392	9,000
2. Full time equivalent of other positions	3,300	3,300		1,921	
3. Average paid employment	8,783	8,942		8,785	
4. Average GS grade	8.06	8.06		7.98	
5. Average GS salary	$13,902	$13,902		$15,257	
PART III.—TITLE V, RURAL DEVELOPMENT AND SMALL FARM RESEARCH AND EDUCATION					
A. Sec. 502, programs authorized [4]					
1. Sec. 502 (a) Rural development extension program	1.5	0	1.5	1.5	2.5
2. Sec. 502 (b) Rural development research	1.5	0	1.5	1.5	2.5
3. Sec. 502 (c) Small farm extension, research, and development program	0	0	0	0	15.0
4. Total, Title V, Rural Development and Small From Research and Education	3.0	0	3.0	3.0	20.0
PART IV.—RURAL DEVELOPMENT SERVICE					
Total, Rural Development Service [5]	1.341	1.434		1.7	1.5
PART V.—EMERGENY LIVESTOCK CREDIT ACT OF 1974 (PUBLIC LAW 93-357; 94-35; 94-517)					
A. Total guaranteed loans (dollars)	750	298	298	371.6	1,000
B. Number of loans	5,940	2,190	(7)	2,450	

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[1] Emergency loans—The $200,000,000 listed for emergency loans is not a limit. The required amounts are unpredictable. The appropriation act provides amounts necessary to meet the needs resulting from natural disasters, therefore the amount can be increased as required.

[2] Above moderate income housing loans—A guaranteed rural housing loan program was included in the fiscal year 1977 budget. Implementation is scheduled for January 1977, however, there is astrong feiling among rural housing supporters that implementation should be delayed until, and after, adequate public hearings can take place to discuss the pros and cons of the program.

[3] For 1975 the foregoing items were (1) 6,550: (2) 2,878: (3) 8,350: (4) 8.14; and (5) $13,380. During 1976, FmHA received appropriations for approximately 1,500 additional staff. The funds were used to take care of pay raises, travel increases, per diem increases, and other expenses. The remaining funds were used to add only 700 positions (400 full time and 300 in the other category). The budget proposed a total of 10,300 FmHA positions which did not include the additional positions referred to herein. The FmHA additional personnel had a potential employment deficit of approximately 800 people. Such action was contrary to expressed congressional intent.

[4] In extension and research, CRC originally proposed $5,000,000 each: for item 3, $10,000,000; and for item 4, a total of $20,000,000 for fiscal year 1977. Prior to final preparation of the proposed CRC rural development budget for fiscal year 1977, we were advised that no more than the listed levels for title V ($1,500,000 extension and $1,500,000 research) would be considered. The higher amounts were reluctantly omitted.

[5] The 1975 funding was $965,000: total staff 32. The 1976 and 1977 staff was 36 each period.

[6] Public Law 93-357 (approved July 25, 1974) authorized guaranteed loans for temporary financing to livestock producers and feeders. Amended by Public Law 94-35 (approved June 16, 1975) which reduced amount of guarantees outstanding from $2,000,000,000 to $1,500,000 and extended statutory period to Dec. 31, 1976. Guaranteed amount to borrower can not exceed $350,000. Interest to be agreed upon between borrower and lender. Maximum repayment 7 yr with 3 yr renewal. No fees charged by FmHA for the guarantee. During 1975, FmHA approved 3,021 loans involving $352,900,000 guarantees. Public Law 94-517 extended statutory period to Sept. 30, 1978. The ELCA of 1974, as a guaranteed loan program, leaves to the discretion of the private lenders the decision to extend, or not to extend, loan payments due and payable by the borrower to the lender. Private lenders are also subject to audit under the rules and regulations of the Federal bank examiners to insure financial stability. Any moratorium on payments would involve a discussion among those concerned and affected to consider each case individually and/or categorically. If payment of interest only is applicable, then respective borrowers and lenders could discuss their actions accordingly. The FmHA emergency loan program could be extended and considered for loan payment moratorium because it manages FmHA insured loans. In case of need, the Secretary of Agriculture could ask private lenders to provide all possible consideration to borrowers requiring such action in accordance with existing laws and regulations. In any event, the number of loans involved should not be an insurmountable task for evaluation as to need, resulting in specific identification of those in need of payment moratorium or other action.

PART VI—TITLE VI—MISCELLANEOUS—RURAL DEVELOPMENT ACT (PL 92-419)

1. Administrative action

(*a*) The President shall establish an Office of Rural Affairs at the White House level which answers to the President to act as a clearinghouse for all Federal agencies administering programs affecting rural development and to assist the Secretary of Agriculture in formulating a national program for rural development as required by section 603(b) of the Rural Development Act, including the formation of specific quantitative and qualitative goals for rural development.

(*b*) The President shall issue an Executive order giving the Secretary of Agriculture full authority to carry out his duties under Title VI of the Rural Development Act as the coordinator of all rural development programs. This will insure the active positive cooperative of all Federal agencies administering programs affecting rural development while allowing the Secretary to fulfill his national leadership role for rural development to the fullest extent possible with a Presidential priority.

(*c*) The Secretary of Agriculture shall initiate an identification and evaluation of selected Federal governmental policies and programs to determine their impact on farmer entrepreneurship now and on a projected basis of at least 5 years or more. The prime consideration shall be to maintain the entepreneural identity of the individual farms of the nation.

(*d*) The Secretary of Agriculture shall initiate an evaluation of alleged underpricing of U.S. agricultural products, estimated by the Nebraska Department of Agriculture to result in an annual loss of $15 billion to the national economy.

(*e*) The Secretary of Agriculture shall actively initiate and expand research and development efforts to solve problems of rural water supply, rural sewage and solid waste management, rural housing, and rural industrialization as directed by section 603(b), Coordination of Rural Development Activities, of the RDA of 1972.

(*f*) The Secretary of Agriculture shall schedule a specific rural operational goals program, including timetables and priorities for each goal. Appropriations shall be provided to insure the realization of such program.

2. Legislative action

(*a*) The Congress and the executive branch shall initiate a comprehensive indepth evaluation of pending, current, and projected Federal requirements for Federal space and strongly urge or mandate the real development and location of selected facilities which by their very nature, would be better suited for rural locations. (Retirement homes and facilities: Mental health facilities: Correctional institutions: Recreation centers: Colleges and Universities, Public utility centers: Botanical nurseries: Medical facilities, and Federal/State/County/Local facilities.

(*b*) The States shall enact comparison legislation to the Rural Development Act for appropriate coordination and communication.

3. Legislative oversight action

(*a*) The Congress, the President, the Secretary of Agriculture, and the Administrator of General Services Administration shall evaluate the provisions of section 601(b), Location of Offices in Rural Areas, Title VI, RDA of 1972, to insure strict compliance and "real" consideration rather than routine passive inaction. This shall include a thorough Congressional Committee Oversight investigation and hearings to determine compliance with Congressional intent and practical solutions.

(*b*) The Congress, the President, the Secretary of Agriculture, and the Administrator of General Services Administration shall develop, prepare, and implement a transition plan for the feasible and orderly transfer of selected Federal and USDA agencies, offices, and personnel from the Washington Metropolitan Area to farm and nonfarm area locations which are germane to their respective agency purposes and functions. Such plan shall be available for appropriate congressional action not later than December 31, 1977. Special consideration should be given to those locations in need of economic stimulus and which are suitable for such activities.

Part VII—Comments and Recommendations—For Part I—FmHA Selected Program Funding Levels: Part II—FmHA Salaries and Expenses: Part III—Title V—Rural Development and Small Farm Research and Development: Part IV—Rural Development Service: Part V—Emergency Livestock Credit Act of 1974: (Part VI—Title VI—Miscellaneous—Rural Development Act, Precedes This Part With Respective Comments and Recommendations)

The following parts correspond with their counterparts for each program.

I. FMHA SELECTED PROGRAM FUNDING LEVELS

A. Farmer Programs

1. Administrative action

(*a*) The Secretary shall increase the FmHA Farm Ownership Loan maximum amounts to read as follows, "The unpaid indebtedness against a farm or other security at the time the loan is made may not exceed $450,000 (increased from $225,000) or the market value of the farm or other security. The loan may not exceed $200,000 (increased from $100,000) or the amount certified by the county committee, whichever is lesser."

2. Legislative action

(*a*) The Congress shall amend Section 122, Maximum Size, RDA of 1972 (Section 313, CFHAA of 1961) from $50,000 to $100,000. This is the maximum farm operating loan amount for each borrower.

(*b*) The Congress shall insure that emergency funds for disaster areas in rural areas would continue to be administered by USDA.

(*c*) The Congress shall direct the Secretary of Agriculture to process and act on Emergency Disaster loan requests within a maximum ninety (90) calendar days.

(*d*) The Congress shall amend Section 125—Credit Elsewhere Determination (Section 333. CFHAA/1961) to reflect a more simplified, convenient process for consumating guaranteed loans between the borrower and the lender under the Farm Ownership and Farm Operation loan programs. Rural bankers report that short-term financing is a critical factor in meeting the needs of farmers and that they can more effectively arrange such loans rather than subject a farmer to the complexity of the Federal Land Bank requirements.

3. Legislative oversight action

(*a*) The Congress shall conduct public field hearings to develop appropriate legislation and regulations for emergency loans or insurance type protection, where property damage and/or severe production losses have occurred as a result of labor-management disputes, which can not overcome the elements of nature and seasonal growth factors related to crops, which become the victims of nature and human actions, and which may prevent timely harvest, picking, etc. (This could be similar to the existing Emergency (Disaster) Loan program under Subtitle C of the Consolidated Farm and Rural Development Act, as amended by Public Law 94-68, enacted on August 5, 1975, which contains authorizations for insured and guaranteed emergency (EM) loans.)

B. Housing Programs

1. Administrative action

(*a*) The Secretary of Agriculture shall direct that all FmHA Guaranteed Rural Housing Loans shall be handled by FmHA District (multicounty) and State Offices and FmHA Direct Loans by FmHA County Officers.

(*b*) The Secretary shall develop and implement an effective program of rural housing research with private and public organizations, land grant colleges and universities, and other resources from within the USDA.

(*c*) The Congress shall clearly define the USDA role and responsibilities to serve low income people and to clearly define low income for national poverty income guidelines. Housing subsidy programs to capably serve income families shall be provided, including a Congressional mandate to use programs.

(*d*) The Secretary of Agriculture shall fully and effectively implement all rural housing programs in accordance with congressional intent, including the creation of an active housing research and planning program unit. (HUD funds such a unit with a budget of over $50 million.)

(e) The Secretary of Agriculture shall place adequate additional staff with housing program skills, as Congress intended and funded, to insure housing program implementation.

(f) The Congress and the executive branch shall coordinate with the States, Counties, Localities, and non-governmental representatives to quantitatively and qualitatively measure the needs of and to determine the real concerns for rural housing.

(g) The Secretary of Agriculture shall fully and effectively implement the Sec. 504 Housing Repair programs for very low income people; the Section 514 Farm Labor Housing programs; the Mutual and Self-Help Housing programs, and the Rent Supplement Housing program, all of which are designed to serve the lowest income people, those who are left out of the FmHA interest credit programs.

(h) The Secretary of Agriculture shall rescind all rules which impose increased income levels for eligibility in housing programs to counteract construction and operation costs therein.

2. Legislative action (refer to CRC budget proposal)

3. Legislative oversight action

(a) The Congress shall mandate the Secretary of Agriculture and the Secretary of the U.S. Department of Housing and Urban Development, the Administrator of the Community Services Administration and other Federal housing program agencies to obligate all feasible rural housing program funds which Congress has appropriated for such purposes.

(b) The Secretary of Agriculture shall quantify the needs and cost estimates for rural housing legislation to determine and identify the real concerns locally, statewide, and nationally.

C. Community Programs

1. Administrative action

(a) The Secretary of Agriculture shall abolish the FmHA self-made policy on rural water and waste disposal grants requiring that families absorb 1 percent of the debt service portion of water and waste disposal systems prior to grant eligibility.

(b) The Secretary shall direct reappraisal of regulations governing water and waste disposal grant applications, including the 50-percent rule, to eliminate many of the problems in this area.

2. Legislative action

(a) The Congress shall amend section 306(a)(2) of the Consolidated Farmers Home Administration Act of 1961 (Section 105—Grants for Water and Waste Disposal Systems, Rural Development Act of 1972, Public Law 92-419) to increase the annual grant authorization level from $300,000,000 to $1,000,000,000.

(b) The Congress shall eliminate present FmHA restrictions that "water and waste disposal grants may not exceed 50 percent of the development cost of the project."

(c) The Congress shall amend section 306(a)(2) of the Consolidated Farmers Home Administration Act of 1961 (Section 105—Grants for Water and Waste Disposal Systems, Rural Development Act of 1972, Public Law 92-419) to provide that grants for water and waste disposal systems "may not exceed 75 (now 50) per centum of the development cost of such a project."

(d) The Congress shall amend section 306(a)(2) of the Consolidated Farmers Home Administration Act of 1961 (section 105—Grants for Water and Waste Disposal Systems, Rural Development Act of 1972. Public Law 92-419) by adding to the end thereof, "Subject to this limitation, such a grant shall be made to a project to the extent necessary to reduce the average domestic user payment level to an amount equal to one percent of the median income of the domestic users in the area to be served by the project."

(e) NOTE: Refer to the foregoing proposed amendments in paragraphs a, b, c, and d, above. As amended, the section would read in its entirety as follows:

"The Secretary is authorized to make grants aggregating not to exceed $1,000,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 75 percentum of the development cost of the project in communities of 5,500 or more and 90 percentum in communities of less than 5,500 to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area. Subject to this limitation, such a grant shall be made to a project to the extent necessary to reduce the average domestic user payment level to an amount equal to one percent of the median family income of the domestic users in the area to be served by the project."

(*f*) The Congress shall amend subpart (ii) of section 306(a)(3) of the Consolidated Farmers Home Administration Act of 1961 (section 105—Grants for Water and Waste Disposal Systems. Rural Development Act of 1961, Public Law 92-419) by striking out "to the extent possible" and inserting in lieu thereof "including those persons that can be feasibly served by the applicant by means of separate facilities providing central service or facilities serving individual properties, or both."

NOTE: As amended, relevant sections would read in its entirety as follows:

"No grant shall be made under paragraph (2) of this subsection in connection with any project unless the Secretary determines that the project . . . (ii) is designed and constructed so that adequate capacity will or can be made available to serve the present population of the area including those persons that can feasibly be served by the applicant by means of separate facilities providing central service or facilities serving individual properties, or both . . ."

(*g*) The Congress shall amend the first sentence of section 306(a)(12) of the Consolidated Farmers Home Administration Act of 1961 by striking out the entire sentence and inserting in lieu thereof two new sentences as follows:

"(12) In the making of loans and grants for community waste disposal and water facilities under paragraphs (1) and (2) of this subsection, the Secretary shall accord highest priority to applications for financial assistance to develop facilities for service to communities with hazardous public health situations as determined and certified to the Secretary by the State Health Officer of the State in which the community is located. Next highest priority shall be given to applications that contemplate a substantial number of new service connections for residents of the area that are not presently receiving adequate service."

(*h*) The Congress shall amend section 310B(b), subtitle A of the Consolidated Farmers Home Administration Act of 1961 (section 118—Rural Industrialization Assistance, Rural Development Act of 1972, Public Law 92-419) to read, "The Secretary may make grants, not to exceed $50,000,000 annually, to eligible applicants under this section for pollution abatement and control projects in rural areas. No such grant shall exceed 75 (now 50) percentum of the development cost of such a project in communities of 5,500 or more and 90 percentum in communities of less than 5,500."

(*i*) The Congress shall amend section 312(d) of the Consolidated Farmers Home Administration Act of 1961 (section 121—Rural Enterprise Loans, Public Law 92-419) to read, "The Secretary may make grants not to exceed $25,000,000 annually, to eligible applicants under this subtitle for pollution abatement control projects in rural areas. No such grant shall exceed 75 (now 50) percentum of the development cost of such a project in communities of 5,500 or more and 90 percentum in communities of less than 5,500."

(*j*) The Congress shall increase the Rural Community Fire Protection Grant program annual authorization from $7 million to $25 million. (Section 403, title IV, Rural Development Act of 1972, Public Law 92-419)

(*k*) The Congress shall determine the feasibility of transferring the administration of water and waste disposal programs from the FmHA to the Rural Electrification Administration. If feasible, the Congress shall change the name of the Rural Electrification Administration to the Rural Facilities Administration.

(*l*) NOTE: Please refer to foregoing FmHA Water and Waste Disposal grant program changes in paragraphs "a thru i" for applicability of the following explanations.

Over the last fifteen years, Farmers Home Administration has provided federal financial assistance to small towns and rural areas to develop facilities for domestic water and waste disposal services at reasonable rates users can afford to pay. In recent years, other federal agencies and state agencies have become involved in providing financial assistance for this purpose. For most rural residents, FmHA remains the primary lifeline for financial assistance that rural communities must have to survive and grow.

Three proposed legislative changes would preserve this historical role for FmHA while continuing to permit the participation of other Federal and State agencies in the effort. The changes do not alter the basic FmHA effort or require levels of appropriation vastly different than those presently authorized. They sharpen significantly the legislative mandate for the community facilities program and the outcome it is to achieve. With this mandate, FmHA, under progressive management, should continue to lead the way in domestic water and waste disposal services for Rural America.

The changes concern the amount of the FmHA subsidy, the development of projects on an area-wide basis, and a priority for applications that contemplate new service connections.

FmHA subsidy

This change provides a definite standard for determining the amount of subsidy from all sources that should be provided to each community for its water and waste disposal facilities. Under the present program, there is no definite standard. Communities are forced to expend unreasonable time and effort scrambling for grant funds and FmHA has not produced facility projects with rates that are reasonable and fair to all applicants.

The proposed standard would tie the average user payment level for water or waste disposal service to the annual income level of domestic users in the community. The amount of subsidy involved would be that required to put the average user payment level at one percent of the average median income of the residents to be served by the applicant community. Residents in a community with a median income level of $5,400 a year would pay an average bill of $54 a year or $4.50 per month for basic domestic water services plus $4.50 per month for basic domestic waste disposal services. In a community with a median income of $8,400, the average payment level would be $7 per month for water service and $7 per month for waste disposal services.

In addition, the use of FmHA grant funds to achieve the one percent objective would be limited to 75 percent of the allowable development costs for the facilities project. The remaining money would come from the community on the basis of a loan from FmHA or other sources, or as a supplementary grant from other federal or state agencies. The FmHA percent objective would encourage other federal or state agencies to target their funds on the most needy communities. To the extent that grant funds were made available for other sources to reduce the average user level below one percent, FmHA grant funds would be withdrawn from the project.

Area-wide projects

This change requires applicants (and FmHA) to consider the development of facilities to provide service to all residents of an area rather than merely those more densely settled residents that can be served by a single central facility. Under the present program, applicants and FmHA have proceeded on a facility-by-facility basis with inadequate attention to the service needs of residents of smaller outlying communities and the open countryside.

The change would condition FmHA grant funds on a determination that, to the fullest extent feasible, service is contemplated to all residents of the area that are in need. Service responsibility would not be limited to a single facility but would require consideration of service through use of one or more facilities providing central service and facilities providing service to individual properties, or both.

This would put FmHA in a position to work with local applicants to realize the comprehensive community facilities and other community development plans that have been prepared in recent years without requiring a new round of comprehensive planning activities. With the support and cooperation of FmHA, applicants would be encouraged to articulate and follow a facilities development program over a period of several years to provide service to all needy residents. Residents with adequate individual facilities and other utilities providing adequate service would not be affected. Virtually all other residents would be able to obtain service from the applicant with the attendant economies of central management, even though separate facilities were involved.

New service connections

This change requires that, second only to health hazard situations, FmHA must give funding priority to applications that contemplate a substantial number of new service connections for residents of the area who are not presently receiving adequate service. Under the existing program, there is no clearly defined system of funding priorities. The authorizing legislation establishes a priority for water and waste disposal loans only (not grants).

The change would encourage applicants to seek out new service opportunities as part of their financing proposal. Applicants concerned solely with upgrading established service, without extending a facility or incorporating new facilities into their plans, would not receive priority unless a health hazard existed. Justification of a health hazard situation would require a determination and certification to that effect by the State Health Officer in the state where he project is located.

3. Legislative oversight action

(*a*) The Secretary of Agriculture shall contact the Appalachian Regional Commission to discuss the results of an ARC-sponsored demonstration project in Boyd County, Kentucky. The program involves the use of individual home treatment units which provide effective sanitation for families in areas which can not be serviced economically by conventional means and which reduce the use of water. Its success and potential applicability of similar systems shall be evaluated for USDA program and policy consideration. It is reported that the Environmental Protection Agency is in the process of formulating regulations for the use of single home service.

(*b*) The Congress shall direct the expeditious release of a report from the Secretary of Agriculture which details the contribution of the Title IV, Rural Community Fire Protection Program, together with appropriate recommendations. Such written report was mandated by the Congress for submittal "to the President within two years after the date of enactment of this title." (According to a USDA status report on the implementation of the RDA, Title IV was fully implemened on or about 21 April 1975. The reporting date should be prior to April 1977.) (Sec. 403)

D. Business and Industrial Programs

1. Administrative action

(*a*) The Secretary of Agriculture shall determine whether any funding remains from the Community Services Administration Economic Opportunity Loan program which can and shall be used to assist low income farm and nonfarm families as Congress originally intended.

(*b*) The Congressional appropriations committees shall no longer require FmHA to set aside 100 percent of their guaranteed Business and Industrial loans in escrow to make more loans available. (EDA sets aside only 25 percent while SBA sets aside only 10 percent. These figures are more realistic and would increase the amount of loans available.) If such requirement is necessary, the 10 percent set aside, similar to SBA, is preferable for FmHA programs.

(c) The Congress and the Administrator of Small Business Administration shall continue to accept preapplications and applications from applicants, even if funds are not available, to determine backlog information which can be used for future program assistance requirements. This shall be similar to the FmHA process which provides for such action. (It is reported that current SBA policies do not permit or require such acceptance.)

(*d*) The Secretary of Agriculture shall eliminate the practice of counting guaranteed loans against the loan authorization level ceilings for such programs. FmHA has not been enthusiastic about guaranteeing farm loans because the interest rate charged the borower is fixed by law and FmHA must pay subsidies to lenders to bring their agreed upon interest up to the going commercial rate.

(*e*) The Secretary of Agriculture shall change existing regulations for treating the full amount of guaranteed loan authorizations as outlays of appropriated dollars to a situation where a reserve would be established to cover potential losses from any given guaranteed program. Only a small percentage of guaranteed loans consummated by the Federal government would ever become obligations of the Federal government.

2. Legislative action

(*a*) The Congress shall amend Section 118—Rural Industrialization Assistance, Title I, Rural Development Act of 1972 (Public Law 92-419) (Subtitle A, Consolidated Farmers Home Administration Act of 1961, Sec. 310B (d) (3) shall be amended to read, "No financial or other assistance shall be extended under any provisions of section 304(b), 310B, and 312(b) if the Secretary of Labor certifies within 15 calendar days after the matter has been submitted to him by the Secretary of Agriculture that the provisions of paragraph (1) and (2) of this subsection have not been complied with. The Secretary of Labor shall, in cooperation with the Secretary of Agriculture, develop a system of certification which will insure the expeditious processing of requests for assistance under this section.

If the Secretary of Labor has not issued such certification within 30 calendar days after the matter has been submitted to him by the Secretary of Agriculture, such action will serve as favorable compliance and certification." (Sec. 118 is referred to as the Business and Industrial Program of the RDA.)

(*b*) The Congress shall develop a feasible tax credit program for small business farm and non-farm operators in return for jobs created as a result of private capital investment.

(*c*) The Congress shall develop a feasible Federal financing entity which would serve as a major source of financial assistance to small business farm and non-farm operators, especially those in the lower income and other risk levels.

(*d*) The Congress shall increase or remove the loan authorization level for FmHA Business and Industrial prgorams to more than cover any existing backlog of applications, taking into consideration the fact that many lenders/borrowers who might apply or become eligible for guarantees have not done so because of the backlog.

3. Legislative oversight action

(*a*) The Congress, the Secretary of Agriculture, and the Administrator of Small Business Administration shall develop and initiate an intensive, understandable public information program in rural areas to make FmHA-SBA program information readily available and accessible to small business farm and non-farm operators, including a more effective FmHA-SBA relationship.

(*b*) The Congress shall designate funding levels for all FmHA guaranteed loan programs as reserves against losses rather than ceilings. Loans could be made on a loan-to-reserve ratio such as 10 to 1 or 20 to 1. FmHA low loss rate would be a factor for favorable consideration. In 40 years, the write off rate has been approximately 1 percent. The B. & I. loan defaults have been approximately 1 percent of the total guaranteed.

E. Total FmHA Selected Program Funding Levels

1. Administrative action

(*a*) The Secretary of Agriculture shall initiate a Comprehensive dialogue between the USDA and bankers, financial institutions, and local leaders to discuss farm and non-farm programs and to provide convenient access to, and delivery of, such programs, including the required process for such action.

2. Legislative action

(*a*) The Congress shall change the name of the Farmers Home Administration to a new Rural Development Administration. The newly-named Rural Development Administration shall remain in the USDA, subject to additional administrative, legislative, and organizational changes to conform with such changes.

(*b*) The Congress shall mandate the Secretary of Agriculture to implement planning programs in the RDA, providing adequate funds for such purposes. The Congress and the Executive Branch shall quit playing games with each other in such implementation. The need is evident.

(*c*) The Congress shall consider any reorganization of FmHA as part of an overall USDA reorganization.

3. Legislative oversight action

(*a*) The Congress shall determine the feasibility of transferring all FmHA Farmer Programs from the FmHA to the Agricultural Stabilization and Conservation Service. Any such transfer shall include adequate funding and additional qualified personnel to insure proper staff for such purposes. FmHA shall retain the Housing, Community, Business and Industrial Programs, and other related non-farm programs. Such feasibility and decision shall be determined not later than 30 September 1977 for consideration in the fiscal year 1979 budget process.

II. FMHA SALARIES AND EXPENSES

A. Total FmHA Salaries and Expenses

D. Personnel summary

1. Administrative action

(*a*) The Secretary of Agriculture shall initiate and adhere to employment policies which provide and insure equal opportunities, regardless of race, sex, religion, or other such reasons which may be discriminatory. It has been reported that some top level USDA positions stipulate graduation from an Agriculture College or University as a condition for employment when in fact such condition may not be an integral requirement for such position. Flexibility is a "must".

(*b*) The Secretary of Agriculture shall insure that adequate qualified special personnel are available and accessible at the local level, physically and geographically, to advise and assist rural residents in financial, housing, business, industrial, water, waste disposal, metric system, and related farm and non-farm activities.

2. Legislative action (Refer to the CRC budget proposal)

3. Legislative oversight action (Refer to the CRC budget proposal)

III. TITLE V—RURAL DEVELOPMENT AND SMALL FARM RESEARCH AND DEVELOPMENT

1. Administrative action (Refer to the CRC budget proposal)

2. Legislative action (Refer to the CRC budget proposal)

3. Legislative oversight action

(*a*) The Congress and the Secretary of Agriculture shall initiate a special concentrated effort to realistically and effectively implement Section 501 of Title V, RDA of 1972, with a maximum emphasis on Section 501 (d)—"to expand research on innovative approaches to small farm management and technology and extend training and technical assistance to small farmers so that they may fully utilize the best available knowledge on sound economic approaches to small farm operations."—spoken and written in language readily understood by the small farmer. (Refer also to Section 502 (c) Small Farm Extension, Research, and Development Programs.)

(*b*) The Congress and the Secretary of Agriculture shall evaluate the effectiveness of the provisions in Section 504—Cooperating Colleges and Universities, Title V, RDA of 1972. The entire section shall be the subject of an in-depth critical analysis to determine its practical application to farm and non-farm concepts and to recommend specific improvements for appropriate action.

IV. RURAL DEVELOPMENT SERVICE

A. Total Rural Development Service

1. Administrative action

(*a*) The Secretary of Agriculture shall void the Secretary's memorandum No. 1730, dated 13 May 1971, and Supplement 1, dated 3 September 1971, which established the Rural Development Service, transferring such functions and staff to the Assistant Secretary of Agriculture for Rural Development for implementation as may be required by the Rural Development Act of 1972 and other programs.

2. Legislative action (Refer to the CRC budget proposal)

3. Legislative oversight action

(*a*) The Congress shall determine the feasibility of transferring the Rural Development Service to the FmHA (or proposed Rural Development Administration).

V. EMERGENCY LIVESTOCK ACT OF 1974

1. Administrative action (Refer to the CRC budget proposal)

2. Legislative action (Refer to the CRC budget proposal)

(*a*) The Congress shall extend and amend the ELCA of 1974 to provide for insured loan authority to FmHA to accommodate special or unusual situations, either through the ELCA of 1974 or other existing programs.

3. Legislative oversight action (Refer to the CRC budget proposal)

PART VIII—DEPARTMENT OF AGRICULTURE—MISCELLANEOUS

1. Administrative action

(*a*) The Congress and the Secretary of Agriculture shall evaluate its guaranteed and insured loan programs and policies under the RDA of 1972 to determine, identify, and recommend such changes as may be necessary.

(*b*) The Secretary of Agriculture shall determine how already-implemented programs for national rural development relate to the needs of the communities where they exist.

(*c*) The Secretary of Agriculture shall establish a USDA Public Advisory Group, to be comprised of an appropriate number of governmental and non-governmental farm and non-farm representatives concerned with the USDA activities as they relate to the public.

(*d*) The Congress, the Secretary of Agriculture, the Bureau of the Census, and those concerned with population shall evaluate the RDA of 1972 to determine the feasibility of a more uniform population eligibility criteria for program participation.

2. *Legislative action*

(*a*) The Congress shall direct that any reorganization of the USDA shall take into consideration respective functions of programs, agencies, and clients. For example, farmer financial services (loans, crop insurnace, program payments) shall be in a single agency managed under the direction of a farmer-elected committee. Non-farm financial services (water, waste disposal, housing, rural development) shall be in a rural development agency. Soil and water services for farm, non-farm, and urban areas (farm conservation plans, watershed districts, resource and development districts, and related engineering type services) shall be in a technical services agency. Local offices for these rural service agencies shall be in single locations for convenient accessibility to those farmers at the local area to be served.

3. *Legislative oversight action*

(*a*) The Secretary of Agriculture, and the Bureau of the Census and the Congress shall evaluate all available terms and definitions for "farm" : "non-farm" : "rural" : "rural area" : "urban area" : "urban development" ; and "non-countryside", to be found in the Federal Statutory Citations, Administrative Regulations, and Judicial Definitions and Holdings (U.S. Codes, the Code of Federal Regulations, and Words and Phrases, respectively) to seek a more flexible uniform statutory definition for rural, rural area, and rural development in a farm and non-farm context.

PART IX—SPECIAL SUBJECTS

A. FmHA—1. Rule—Special Report

7. C.F.R. Section 1823.472 contains the regulations governing applications for grants and loans for water and waste disposal systems administered by FmHA.

Grants can be used to cover only 50% of project development costs. Furthermore, grant applications will only be considered when the debt service portion of the average family user cost exceeds 1% of the "median family income." Grants cannot be used to reduce the debt service portion below this 1% level. The "median family income" is determined by reference to the Bureau of Census Publication PC(1)–C series, which sets up four different tables which can be used to determine median income. The most common method is to determine the median family income for a specific county. If, for example, the median family income in a county is $6,000 per year, the monthly payment under the 1% rule would be $5.00 per family per month towards debt service.

Although FmHA has established a procedure to deal with situations when this median income figure is an inaccurate representation of a specific community's ability to pay, that procedure is ineffective since the burden of showing that a lower median income figure should apply is, for all practical purposes, on the applicant.

The ostensible purpose of the 1% rule is to spread grant funds as far as possible. It is not a specific legislative policy, but a policy created by FmHA under the broad discretionary powers of the Secretary of Agriculture in regard to loans and grants (7 U.S.C. 1989). According to Mr. Ed Cobb of the National Demonstration Water Project, the 1% rule was drafted by FmHA at the insistance of OMB.

Mr. Cobb also stated that one of the major problems concerning the 1% rule is that FmHA is in practice requiring a higher percentage of payment for debt service prior to grant approval in many instances (as high as 3% in some cases). Combined with the fact that the 1% payment does not take into account maintenance and operating costs (national average: $12.00 per month), this policy imposes a hardship on low income families desirous of adequate water and waste disposal facilities.

A policy designed to spread limited grant funds to as many needy communities as possible is a good one. However, the current 1% methodology used to determine the amount necessary prior to grant approval needs improvement. One possible alternative would be a 1% rule based on actual family income with ceiling and floor figures.

Due to the Secretary's broad discretionary powers under 7 U.S.C. 1989, it will be difficult to remedy this situation through legislation.

A more appropriate forum might be an investigation of this policy during future oversight hearings on FmHA programs; this issue should also be dealt with in CRC's future dialogues with the Secretary of Agriculture.

B. Federal Financing Bank (FFB)

The Federal Financing Bank was formed during 1973. It purchases FmHA loans at the unpaid principal value of the loans. The interest rate paid the FFB takes into consideration the rate on Treasury borrowing, an administrative expense add-on, and an adjustment for the annual interest rate. The adjustment for annual interest payment is needed because Certificates of Beneficial Ownership pay interest annually while Treasury pays interest on a semi-annual basis.

C. Agricultural Credit Insurance Fund (ACIF)

The ACIF insures Farm Ownership, Recreation, Soil and Water, Farm Operating and Emergency Loans to individuals and loans to associations for Irrigation and Drainage, Grazing, Recreation, Indian Land Acquisition, Watershed Protection, Flood Prevention and Resource Conservation and development.

Loans may be made from available receipts or borrowing from the Treasury and held in a pool as security for Certificates of Beneficial Ownership which are sold primarily to the Federal Financing Bank. Guarantee Loans can be made. Excluding Emergency Loans, not more than $500 million new loans may be held at any one time.

Public Law 92-419, RDA/72, 30 August 1972 abolished FmHA Direct Loan Account and the Emergency Credit Revolving Fund. Their assets, liabilities, and authorizations applicable to these accounts were transferred to ACIF. It also transferred from ACIF to RDIF the assets and liabilities applicable to water and waste disposal facilities loans.

As of 30 September 1977, the unpaid balance of loans sold under insurance programs is estimated $6.984 billion. The projected liability for premium interest on loans held by investors through end of holding period and on certificates of beneficial ownership throughout life of certificates is $467.7 million.

D. Rural Development Insurance Fund (RDIF)

Public Law 92-419, RDA/72, established RDIF under Section 309A of Consolidated Farm and Rural Development Act, to transfer from ACIF to RDIF the assets and liabilities applicable to water and waste disposal facilities loans.

Guarantee and Insured loans can be made for water and waste disposal facilities, Development of Rural Business, Community Facilities, Pollution Abatement, and Economic Development in Rural Areas.

As of 30 September 1977, the unpaid principal balance of loans sold under insurance programs is $3.712 billion. The projected liability for premium interest on loans held by investors through the end of the holding period and on certificates of beneficial ownership throughout the life of the certificates is $403.1 million.

E. Rural Housing Insurance Fund (RHIF)

The RHIF can insure loans, provide interest credits, direct loans, via subsidized and nonsubsidized; and mobile home parkloans.

The RHIF was established under authority in section 1003(a), Housing and Urban Development Act of 1965 (PL 89-117) authorized an appropriation of such sense as may be necessary for the purpose of the Fund. $100 million was provided in the Supplemental Appropriations Act, 1966 (PL 89-309) to capitalize the Fund for future operation.

Public Law 89-117 transferred authorities from the ACIF to the RHIF, such as insured farm labor housing loans and insured rural rental or cooperative housing loans. Public Law 90-448 authorized interest credits from certain borrowers. Public Law 91-152 transferred assets, liabilities, and authorizations of rural housing direct loans to the RHIF. Public Law 91-609 made several changes in the farm labor housing loan and grant program.

Public Law 93-383, the Housing and Community Development Act of 1974, Title V, provides for loans in areas in excess of 10,000 but less than 20,000 if not in an SMSA and it has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development.

As of 30 September 1977, the unpaid balance of loans sold under insurance programs is estimated to be $14.3 billion. The projected premium interest on loans held by investors through the end of the holding period and on the certificates of beneficial ownership througout the life of the certificates is $1.6 billion.

F. Status on Implementation—Rural Development Act (As of January 1976)

1. The RDA contains 85 provisions. As of 3 March 1975, 64 (or 75.29 percent) were implemented: 21 (or 24.71 percent) were not implemented.

2. The Implementation Progress chart as of January 1976 reflected the following:

(a) Not implemented—( )=Authorization Level

(1) Part of Section 106—(306(a)(3))—Reimbursement of A-95 Districts (Unlimited).

(2) Section 108—(306(a)(b))—Water and Waste Disposal Planning Grants ($30 million).

(3) Section 114—(307)(a))—monthly payments (Regulation).

(4) Section 118—(310(b))—Industrial Pollution Abatement Grants ($50 million).

(5) Section 121—(312(d))—Small Enterprise Anti-Pollution Grants ($25 million).

(6) Section 201(b)—(2(2))—Conservation and Utilization of land as added purpose (Regulation).

(7) Section 201(c)—(3(6))—10 year agreements (Unlimited).

(8) Section 201(e)—4(2)(A)—Ground water recharge and land use (Unlimited).

(9) Section 201(f)—4(2)(B)—Municipal and industrial water supply.

(10) Section 301(1)—32(E)(1)—Rural Community Water Supply.

(11) Section 301(2)—32(E)(2)—Pollution Abatement, Fire Protection, and Solid Waste Disposal Management (Unlimited).

(12) Section 302—New Legislation—Land and water use and conservation needs inventory (Unlimited).

(13) New legislation, Section 502(c)—Small Farm problems (Part of $20 million).

(14) Section 603(c)—526(C)(B)—Interchange of personnel among rural offices (Regulation).

b. Implemented under other programs—( )=Authorization Level

(1) Section 104 (b)—304(b)—Small Enterprise Loans (Unlimited). Funded from Section 118-310B(a)—Rural and Industrial Loans (Unlimited). $350 million ceiling.

(2) Section 111—306(a)(11)—Rural Development Planning Grants. ($10 million) No USDA funds—Using HUD 701 Comprehensive Planning Program.

(3) Section 120-311(b)—Young Rural Residents Loans. (Unlimited). Funded from Section 311—Farm Operating Loans. $625 million ceiling.

(4) Section 121-312(a)(10)—OSHA Loans (Unlimited). Funded from Section 311—Farm Operating Loans. $625 million ceiling.

Small Enterprise ET90$..——

(5) Section 121-312(b)—Small Enterprise Operation Loans and 312(c) Small Enterprise Anti-Pollution Loans (Unlimited). Funded from Section 118-310B (a)—Rural and Industrial Loans (Unlimited). $350 million ceiling.

(6) Section 602-7 USC 1006 a—Desertland Entrymen (Unlimited). Funded from Section 303—Farm Ownership Loan Level. $450 million ceiling.

G. Public Jobs Programs, Water and Waste Disposal Projects, and Rural Areas

The Congress shall specifically provide for the planning and development needs of rural communities in the funding and implementation of any proposed extension and expansion of the so-called "Public Jobs" type legislation so that needed water and waste disposal facilities can be provided. This will create needed local employment opportunities and provide the basic water and waste disposal facilities needed by residents in rural communities. These basic facilities must be available prior to any improvements or expansion of housing construction in rural communities. Alternative types of water and waste disposal facilities should also be considered in order to overcome any significant cost factors which might prove difficult for rural residents. Once again, special consideration shall be given to populations of less than 5,500.

Such consideration shall not include detailed and bureaucratic requirements as usually evidenced in public works and community facilities program rules and regulations. These projects shall be a priority with full participation with respective local and county governments.

H. Federal Register Simplification for "Readibility and Understandability"

If any specific document in the entire Federal Government needed a catharisma, it is the Federal Register, the encyclopedia of rules and regulations written in a language which is ambiguous, frustrating, and downright disgusting. It must be the business of the Federal Government to revise the Federal Register and mandate its presentation in simple language which can be understood by the general public.

PART X—SELECTED PROGRAMS—COMMENTS AND RECOMMENDATIONS

A. Agriculture, Energy, and Natural Resources

1. Administrative action

(*a*) The Secretary of Agriculture shall evaluate the economic and social impact of increased oil and related fuel/energy costs and prices to farmers and nonfarmers in rural areas and report such findings together with a plan and recommendations for action.

(*b*) The Secretary of Agriculture shall evaluate the economic and social impact of the decrease in the number of farms (1945–1975) and the increase in the average size of farms (191 acres–385 acres) for the same period, together with applicable recommendations pertaining to small farms and agribusiness.

(*c*) The Secretary of Agriculture, the Secretary of Health, Education, and Welfare, the Secretary of Labor, and the Administrator of Community Services Administration shall evaluate existing domestic and unionization programs for farm workers and migrant farm workers to determine an appropriate program for participation in Federal and State benefits.

(*d*) The Congressional commitment to a sound agriculture economy is absolutely essential to the survival of our nation and the world.

(*e*) The Secretary of Agriculture shall amend the use of recourse loans to be used only on severely damaged commodities which need temporary price protection and that all other price support action be under non-recourse loans.

(*f*) The Secretary of Agriculture shall promote the dissemination of information on American agricultural efficiency on the part of family farms and the importance of agriculture's role in the production of food and fiber to meet the domestic and world needs for food.

(*g*) The Secretary of Agriculture shall formulate an Agricultural policy related to a new farm bill, multi-lateral trade negotiations, grain reserves, production costs, loan levels, guaranteed prices, and market development (domestically and especially internationally). It shall include subjects such as adequate nonrecourse loan levels and target prices on grains, taking into consideration all out-of-pocket production costs (energy, fertilizer, equipment, share of land costs), as well as loan levels which can be moved above and below guaranteed prices.

(*h*) The Secretary of Agriculture shall develop a domestic farm policy compatible with foreign trade policy when involved farm products enter the export market.

(*i*) The Secretary of Agriculture shall coordinate grain programs with livestock and poultry enterprises.

2. Legislative action

(*a*) The Congress shall establish an Office of Rural Energy in the USDA. If the Congress delays such action by statute, the Secretary of Agriculture shall proceed with such action on the basis of administrative authority. If impractical, the President shall issue an Executive Order for such purpose.

(*b*) The Congressional Committees on Agriculture and Small Business shall exert a stronger positive role in stressing the importance of agriculture, rural development, farm and non-farm business activities among all other Congressional Committees and the Executive Branch. In other words, the time is here to "Quit letting the tail wag the dog]" Without food and a good stable farm and non-farm community, everything else is hopeless!

(*c*) The Congress shall authorize the Commodity Credit Corporation to purchase feed under the Emergency Livestock Feed Program near to where and when it is needed to provide the amount necessary to keep the program properly operating to meet farmer and rancher needs.

(*d*) The Congress shall authorize continued support for adequate Agricultural Conservation Program funding for cost-sharing and SCS technical services, timely program announcements and funds availability each year to facilitate farmer planning and use of the program, and local administration to keep it applicable to priority conservation needs in all areas.

(*e*) The Congress shall authorize a 90 percent parity (price support) for milk with quarterly adjustments.

(*f*) The Congress shall direct that the ASCS employees be trained and used for field work in the Agriculture Census and USDA Statistical Surveys for more effective and knowledgeable reporting.

(*g*) The Congress shall authorize legislation to provide for overriding Presidential export embargoes on agricultural products.

(*h*) The Congress shall continue its positive support for appropriations for the School Milk program.

(*i*) The Congress shall mandate strict compliance and enforcement of Food Stamp program eligibility and participation by recipients reflecting same in anticipated Food Stamp legislative reform.

(*j*) The Congress shall work with the House and Senate Committees on Agriculture to develop the best possible "Farm Bill".

3. *Legislative oversight action*

(*a*) The Congress shall reevaluate existing crop and disaster insurance programs for farmers, fully utilizing government and non-government insuring programs, covering all productive land in the U.S., with a risk-cost sharing where the Federal government matches the producer's premium up to two-thirds of the producers normal production, including special risk-sharing agreements for disasters which prevent planting.

(*b*) The Congress shall consider the authorization of legally established national food reserves to be held approximately 80 percent by farmers and 20 percent by the government, specifically requiring government held stocks to be released last.

(*c*) The Congress shall consider the pros and cons of any proposal to transfer the Food Stamp program from the USDA to the USDHEW. The "political" impact could be adverse to farm and non-farm sectors, especially in Congressional influence.

(*d*) The Congress shall provide maximum interest and positive concern in a program involving the question "Will the family farm survive in America?" The Senate Select Committee on Small Business, as of 28 November 1976, was working on this. Under new rules of the Senate, the change is noted toward a new name, the Senate Committee on Agriculture and Small Business. Senator Gaylord Nelson wrote to the CRC about this subject.

(*e*) The Congressional Committees on Agriculture shall communicate with appropriate governmental and non-governmental resources to develop the best possible National Energy Policy and to insure proper recognition and attention to agricultural and related rural needs.

(*f*) The Congressional Committees on Agriculture shall report on the evaluation of the price differential between the agricultural farm producer and the consumer to bring about a more effective and objective understanding of the mutual problems in the cycle involving production, processing, transporting, marketing (wholesale and retail) to the ultimate consumer.

(*g*) The Congressional Committees on Agriculture shall evaluate the energy needs, resources, availability, and cost factors affecting agriculture and rural development efforts.

(*h*) The Congressional Committees on Agriculture shall evaluate selected Environmental Protection Agency and Occupational Safety and Health Administration programs and their respective compliance impact on farmers, agriculture and related production.

(*i*) The Congressional Committees on Agriculture shall report on practical incentives which would permit, or otherwise assist, small family farmers to remain in, or to become, gainfully employed therein. Explore tax incentives, more low energy activities, substantial revision of inheritance tax laws, more consideration by the Department of Agriculture and the Land Grant Colleges and Universities, substantial revision of freight rates for agriculture from commercial carriers, less governmental regulation, and several other alternatives which would give the small family farmer hope for survival in an extremely high cost, competitive world.

4. Budgetary action

(*a*) The Congress shall augment the ACP by an additional $10 million appropriation as a pilot effort in selected States to assist in testing implementation of the required Non-Point Source Pollution Control under the Federal Water Pollution Control Act of 1972 (EPA) to determine the level of public contribution, the environmental needs, and the farmer's economic viability. (This appropriation request is in addition to the CRC proposed budget for selected rural loan, grant, and special programs—fiscal year 1972).

B. Education

1. Administrative action

(*a*) The States shall stress new non-metropolitan educational programs for occupational-vocational training for real area jobs, especially in service trades and how to set up and run a small business.

(*b*) The Secretary of Agriculture shall develop innovative approaches to educate local people in rural development farm and non-farm subjects and to insure a formal program for Extension Service staff.

(*c*) The Secretary of Health, Education, and Welfare shall encourage the State Schools for Social Work and Human Services Education shall reevaluate their existing and/or inactive programs to stimulate more interest and support for faculty and students.

(*d*) The House Committee on Agriculture shall contact appropriate industry organizations and representatives to publish an Agricultural Encyclopedia, to include, in "layman's language", a comprehensive overall presentation and historical or documentary compilation of agriculture production, farming, livestock, dairy, poultry, and related activities, and to be directed especially to young people and the consumer. (Milk producers have already expressed a positive desire to begin the first phase on a Milk Industry Education Program.)

2. Legislative action

(*a*) The Congress shall direct Federal Programs for education and training to accord special consideration to the young, the elderly, the handicapped, and other disadvantaged who must be given such special attention. Innovation and flexibility is a "must"!

(*b*) The Congress shall encourage and include provisions to develop relevant curriculum, teaching materials, and research support for the identification, comprehension, and solution to rural people social problems.

(*c*) The House Committee on Education and Labor shall report on legislative proposals to remove Federal education loans from bankruptcy eligibility and to develop proposals for tightening bankruptcy requirements, especially as they relate to rural areas.

3. Legislative oversight action

(*a*) The Congress shall eliminate inherent bias for funding programs to insure rural equity, to insure a positive approach for rural research support, to insure effective development of curricula and educational programs to train rural social workers, and to provide the impetus for collection and evaluation of data in rural areas.

(*b*) The Congress shall encourage the States to stimulate the availability of educational specialized personnel in rural schools and to increase teacher salaries in an effort to attract more qualified teachers to rural areas as well as to keep those who are so qualified.

(*c*) The Congress shall consider the feasibility of using the National Teacher Corps program to train teachers and provide long-term pay supplements to their salaries for working in rural schools, including additional in-service training.

(*d*) The Congress shall assist States in the development and implementation of specialized services in vocational and special education. The use of intermediate education in a large number of schools is one way to accomplish broad coverage.

(*e*) The Congress shall encourage the States to allocate more Title I—Special Education and Vocational Education funds to intermediate education units and to encourage rural units to form such cooperative activities.

(*f*) The States shall reevaluate their needs for capital funding in rural areas to determine the potential and the requirements for local improvements.

(*g*) The States shall reevaluate the "Consolidated School" concept in rural areas to determine the feasibility of future specific action. Current research reveals that the consolidation of schools in rural areas work to the disadvantage of rural school children.

(*h*) The Congress and the States shall encourage the use of broadband communications in rural schools to determine its impact on the programs and the children. The use of private television is worthy of consideration. Caution is suggested not to lose the value of the human factor in such programs. The National Institute of Education has a program in Alaska.

(*i*) The Congress and the States shall continue to maintain their respective traditional roles in school financing programs. The evaluation of productivity assessment of farm lands to deal rising farm land values and taxes will help identify future action.

(*j*) The Congress and the States shall consider the joint use of existing Federal technical assistance to help States and Localities determine solutions to such problems.

(*k*) The Congress shall avoid any new Federal mandates for State school finance equalization, a subject not readily understood by Federal bureaucrats.

1. The Congress shall reevaluate several ideas related to Federal education policies, such as:

1. Revising Title I and formula to provide more Federal funds to schools with the highest percentage concentration of pupils from poverty level families.

2. Special aid programs to States which provide explicit aid supplements to rural schools,

3. Allocation of more Federal aid for special, vocational, and compensatory education aid to entermediate rural school units,

4. Increased Federal aid for technical assistance and demonstration projects designed to stimulate basic educational curricular and to determine the impact of property value assessment problems in rural areas,

5. Establish new Federal categorical aid programs to meet school construction needs in rural areas. This would probably require new legislation.

(*m*) The States shall develop an educational curricula for rural development career programs at the College and University levels with accredited degrees, even to the undergraduate levels.

(*n*) The House Committee on Education and Labor shall report on selected education programs for farm workers, migrant laborers, and other minority groups in rural areas for Congressional action.

(*o*) The House Committee on Agriculture shall contact the Regional Rural Development Centers (Oregon, Iowa, Mississippi, and New York) and selected Land Grant Colleges and Universities to determine their effective involvement in rural education programs for rural areas.

4. Budgetary action

(a) The Compensatory Education (ESEA, Title I) program shall be increased by $500 million to $1 billion to improve educational programs to meet the special educational needs of educationally deprived children.

(b) The Dissemination programs (NIE) shall be funded in the amount of $5 million to $10 million for designation in non-metropolitan schools. This would help provide information on the results of educational research and development to support the hiring of specialists, the training of educational personnel, and other efforts to assure implementation in the classroom.

(c) The Pilot communications project for radio instruction with telephone feedback shall be funded in the amount of $5 million to $10 million for the first year. (Public Law 91–457, Public Broadcasting Finance Act, or amendment to Special Projects Act).

(d) The Experimental satellite television project appropriation shall be doubled under the Special Projects Act authority given the Commissioner of Education.

NOTE: The programs in the foregoing items c and d would help to satisfy the educational, cultural, and informational needs of American children in their homes and schools with major emphasis on rural disadvantaged children through the development and demonstration of communication programs.

(e) The School transportation matching grants to States shall be funded in the amount of $50 million for the first year, based on an amount of up to $100 per child for transportation costs exceeding 50 percent of normal transportation costs. This would provide a partial payment for transportation costs in rural areas where costs are disproportionately high.

(f) The Regional vocational education centers shall be funded in the amount of $50 million to $100 million annually through the Appalachian Vocational Education Facilities and Operations Act. (amendment to Public Law 89–4)

(g) The Regional centers for the handicapped shall be funded in the amount of $50 million to $100 million annually. (amendment to Public Law 94–142)

NOTE: The programs in the foregoing items e and f would provide facilitiies on a regional basis to make up for the low incidence or sparce population in rural areas.

(h) The School library programs should be funded in the amount of $25 million annually to aid non-metropolitan libraries. (amendment Public Law 94–482). This would improve library resources and information sources which serve non-metropolitan areas.

(This appropriation request is in addition to the CRC proposed budget for selected rural loan, grant, and special programs—fiscal year 1978).

C. Financial Resources

1. Administrative action (Refer to CRC budget proposal)

2. Legislative action

(a) The Congress shall authorize and appropriate adequate funds to create and establish a proposed National Consumer Cooperative Bank, to be supervised by a Cooperative Assistance Administration, which would make loans to consumer cooperatives.

(b) The Congress shall extend PL 93–501, scheduled to expire during mid-1977, which alleviates lending problems caused by State usury laws. It permits banks to exceed the State usury ceiling under a formula tied to the Federal Reserve discount rate for business and agricultural loans. Such increase would insure the flow of credit to small businessmen and farmers in States where low ceilings would severely restrict the flow of credit to such borrowers.

(c) The Congress shall authorize legislation for Federal Land Banks, Federal Land Bank Associations, and Federal Intermediate Credit Banks to be subject to a fair and equitable federal income tax.

(d) The Production Credit Association allowable contribution to their deductible reserves shall be decreased to put them in a position to pay a fair and equitable Federal income tax.

3. Legislative oversight action

(*a*) The Congress and the Executive Branch shall determine the impact of guaranteed and insured loan programs consumated between Governmental and Non-Governmental financial resources.

(*b*) The Congress and the Executive Branch shall initiate, cooperate with, and encourage local discussions with bank and other financial resources personnel to indoctrinate each other concerning respective problems, solutions, and programs for the short, intermediate, and long term development of rural areas.

(*c*) The Congress shall establish interest rates at a rate agreeable between the borrower and the lender without provisions for the current subsidy.

(*d*) The Congress shall take such action as may be practical to direct Federal lending agencies to permit lending institutions to consumate approved loans without submitting an application for prior approval by the Federal agency involved. This would be automatic, eliminating unnecessary paperwork and detailed analysis. The Federal Housing Administration and the Veterans' Administration have such authority now for supervised and unsupervised lenders.

(*e*) The Congress shall direct Federal agencies with loan programs to continue to preserve its right for prior review of complex loans and those credits which exceed certain maximum loan levels as may be determined.

(*f*) The Congress shall direct Federal agencies with loan programs to place greater responsibility on the supervised financial institution with the major portion of the loans consumated. Such authority shal lbe a discriminate authority to approve loans on an automatic and semi-automatic basis by those banks which exercise good credit judgment and maintain satisfactory records of loan repayment.

(*g*) The Congress shall assure farmers a stable and reasonable income. Guaranteed prices, loan rates, and other farm programs shall be used, when necessary, to achieve for farmers an earning power on a par with other sectors of the economy.

(*h*) The Congress shall note the continuing emphasis of guaranteed loans as being an excellent vehicle for small rural banks to accommodate farm and non-form loans because the non-guaranteed portion of the Federally guaranteed loan is the only portion which counts against the bank's legal lending limit per borrower. The ability to sell, assign, or participate in the guaranteed part of a loan provides more money for a small rural bank to make more loans.

(*i*) The Congress shall assess the need for rural development credit in the non-farm sector. The Economic Research Service (USDA) makes an annual assessment of farm credit and projects its use for the coming year. The best way might be to survey all rural lenders, private and public, who in turn would survey their actual and potential borrowers. It could be the first realistic assessment of the total need for credit for developing rural America!

(*j*) The Congress shall report on financial resources and credit requirements and bring together total Governmental and Non-Governmental resources to fully utilize such resources in rural areas.

(*k*) The Congress shall report on existing financial resources and credit requirements in rural areas: identify those resources and areas which need improvement or replaceemnt with new resources; and develop an action plan to achieve proper solution.

(*l*) The Congress shall evaluate the flow of capital from rural to urban and industrial America to determine the reasons for such action, the impact on rural areas, and how to generate a more equitable investment in rural areas for conventional and development purposes.

(*m*) The Congress shall report on (a) Housing and Community Development Act of 1974 (PL 83-383): (b) Public Works and Economic Development Act: (c) Appalachian Regional Development Act and other Regional Action Planning Commissions: (d) Farmers Home Administration: (e) Small Business Administration: (f) Joint Funding Simplification Act: (g) Community Services Administration: (h) respective Revenue Sharing: (i) Environmental Protection Agency; and (j) inter-related programs which affect financial resources and credit requirements in rural areas.

(*n*) The Congress shall report on tax credit proposals related to job producing investments by business firms in rural areas.

(*o*) The Congress shall report on the folowing items related to financing rural development which were prepared by the CRS:

(*a*) What are the financing needs of rural America?

(*b*) Are these needs currently being met? If not, why not? What are the trends?

(*c*) Can the questions outlined above be considered in aggregative terms or are they better addresed by being concidered on a disaggregated basis; for example—from the standpoint of individual geographic areas (which may have varying characteristics), specific functions (housing, community services and facilities, human resource development outlays, agriculture, business development), and/or various sources of funds (Federal Government, State and local government, private lending institutions, capital markets, investment from funds internally generated by business)?

(*d*) If increased investment is desired, do the projects lend themselves to financing from private sources or is it necessary to depend on Governmental action?

Specifically, in the past, credit needs in the United States have typically been met through private financial markets with government investment through tax incentives and governmental subsidies to supply credit to perceived social needs not adequately being met by private sector sources, and rural investment projects, a question is whether they offer sufficiently attractive risk/profit characteristics to be financed through the private markets, or whether it may be necesary to increase direct Government assistance or indirect forms of Government subsidies (insurance, guarantees, federally-sponsored secondary markets) in order to increase investment.

Alternatively, might changes in the structure and regulation of private markets and/or changes in the form of debt instruments contribute to increases in rural finacing?

(*e*) Has there been sufficient evaluation of programs now underway, such as the FmHA industrial development loan programs, to determine what contribution they are making to rural financing. For example, under the FmHA industrial development loan program, are all legitimate loan demands being met? Are the terms of this program, for example sufficiently broad to be responsive to the actual needs of businesses in rural areas? What contributions are other Government programs making to rural business development?

(*f*) Within the administrative machinery set up in Government to deal with rural development, has there been sufficient emphasis on the question of financing rural development?

(*g*) Is there a centralized source of information on research in the field? Should additional provision be made for encouraging and coordinating research in this area? A fundamental consideraiton is whether sufficient data exists to discuss the rural financing situation in statistical terms.

D. Health

1. Administrative action

(*a*) The Secretary of Health, Education, and Welfare shall develop improved and innovative approaches to rural health care services such as:

1. Greater emphasis on training health professionals for rural practice: At least one medical school in every region should emphasize training health professionals for rural areas: Establish special programs to acquaint medical students with realities of rural health and medical practice problems: States should support Area Health Education Centers and family practice residencies in rural areas: Support the development of broadly trained non-physician health professionals, including undergraduate instruction where necessary; and Reevaluate admission and scholarship procedures for medical dental, and nursing schools to help students who desire rural practice (and seek them) and that they are fully aware of financial and other support for education.

2. Emphasize group practice, nurse practitioner clinics. (Funds shall be available for development and technical assistance plus ongoing operating expense subsidies in low income rural areas.): Provide legal and technical assistance to use non-physician health professionals: States shall amend State Nurse Practice Acts and Medical Practice Acts to permit Nurse Practitioners to perform certain services without the physical presence of a Physician who is available for immediate consultation by telephone and for continuing audit of the program: Help meet start-up costs for establishing rural group practice: Extend the National Health Service Corps into the private sector: Establish use of mobile health facilities: Check results of an HEW integrated rural health demonstration program: Check University of Alabama telephone communications between family physicians and specialists (at Birmingham Medical School) for results in communication technology: Provide continuing education of health professionals; and Skilled Administrator should be part of every rural health practice to administer and manage the systems.

3. Concern should include Environmental health and preventive medicine: Include community representation on rural health service boards: Consider public acceptance of costs in community outreach programs and transportation systems to provide access for people and services: Comprehensive primary ambulatory care, dental health, mental health, and related personnel shall be considered: More health services for the elderly, the chronically ill, qualified nurses, homebound elderly, and bed confinement are interrelated: Federal programs in nutrition and counseling are urged for rural participation, including good health habits, patient health education, and audiovisual aids (bilingual): and Provide preventive care, including well-baby care, immunizations, family planning services, cancer screening, and pre-natal services.

4. Eliminate insensitivity and discriminatory practices toward Black, Mexican-American, and other minorities: Use bilingual language when necessary to insure communication: Rural minorities must be treated fairly and with required patience and understanding in the physical examination process. Few alternative sources of health care are available to these people: Encourage the training and use of more minority people in Nurse Practitioner programs, the National Health Service Corps, and related programs where practical.

(*b*) The Secretary of Health, Education and Welfare shall enforce nondiscriminatory Medicare provisions such as hospital care, nursing home care, private physician care, and other services. Medicare does not require physicians to comply with Title VI of the Civil Rights Act in order to receive Medicare funds.

(*c*) The Secretary of Health, Education and Welfare shall provide staff in rural areas where minority groups are concentrated in ethnic/social elements requiring full knowledge of language and customs.

(*d*) The Secretary of Health, Education and Welfare shall establish fee schedules for rural physicians on a level similar to the fee schedule for urban physicians. Develop a uniform physician reimbursement fee schedule for Medicare for the nation. Other considerations include: Reimbursement of Services for nonphysician health professionals at rural health centers when services are rendered: Direct reimbursement to community rural health centers as health service provides: Medical coverage for all people. Low income people shall pay minimal or no direct patient charges: Create a Health Resources Development Board funded to target personnel seeking a rural location and development of innovative rural health concepts: Supplemental programs to help rural areas overcome local or other barriers to improved health services.

(*e*) The Secretary of Health, Education and Welfare shall direct the Social Security Administration, the Public Health Service, and join with other agencies to insure the development of mental health services and facilities, using public, voluntary, and private agencies and funds to do so.

2. Legislative action

(*a*) The Congress shall provide assurances under any National Health Insurance program that the needs of rural areas are adequately covered. Changes in existing programs are essential for rural delivery of and accessibility to services.

3. Legislative oversight action

(*a*) The House Committee on Interstate and Foreign Commerce, Subcommittee on Health and Environment, shall evaluate the findings and conclusions in the Rural Health Care in the South segment summary report prepared for the task force on Southern Rural Development. It was prepared by Karen Davis and Ray Marshall and presented to the Task Force in Atlanta, Georgia on 10–11 October 1975. Final copy not available as of 31 December 1976.

(*b*) The Congress shall note that adequate health care is one of the important facts of life for rural people. Inadequate attention has been given to the health care needs of the rural South. This is complicated by adverse economic and demographic context: neglect of human resource development: poverty: low educational levels: limited employment opportunities: lack of adequate water and waste disposal facilities: and the lack of adequate transportation and communications. The Congress shall direct appropriate Federal agencies to alleviate and eliminate such factors.

(*c*) The Congress shall note that Federal programs have failed to respond effectively to the health needs of the rural South: Medicare for the elderly has systematically discriminated against rural Southerners and favored urban areas through its reimbursement policies: Medicaid for the poor has been of only limited benefit to rural people due to orientation toward one-parent families rather than the two-parent underemployed and subemployed families in the rural South: and Comprehensive Health Centers have been preferentially located and funded in urban areas rather than the rural South.

(*d*) The Congress and the entire Executive Branch shall strive for a better understanding of health problems and obstacles to improving them, including proposed solutions.

(*e*) The Congress shall initiate a systematic study of discriminatory or insensitive practices in provision of health care in rural areas, training of health professionals for rural areas, and the administration of Federal, State, County, and

Local health care programs to determine the extent, severity, and form of such discriminatory practices.

(*f*) The Congress shall prohibit the veto of Federal or State rural health projects by local medical societies, especially if such programs are consistent with accepted medical ethics and requirements.

(*g*) The National Health Service Corps shall initiate a vigorous affirmative action program to provide scholarships for medical training and in the placement of health professionals to increase the supply of qualified Spanish-speaking and Black health professionals.

(*h*) The Congress shall maintain existing comprehensive health centers under HEW rather than any proposed cutback. Better technical assistance from HEW shall be provided these centers. Additional centers shall be considered for location in rural areas with severe need.

(*i*) The Congress, the Secretary of Health, Education and Welfare, the Secretary of Agriculture, the Federal Cochairmen of the Appalachian Regional Commission, and the Administrator of the Community Services Administration shall discuss a combined effort directed to rural health services, facilitise, and personnel utilization to solve existing and future problems.

(*j*) The House Committee on Interstate and Foreign Commerce shall report on selected health programs for rural residents, including farm workers, migrant laborers, and minority groups with special emphasis on senior citizens.

(*k*) The House Committee on Interstate and Foreign Commerce shall report on the National Health Planning and Resource Development Act of 1974 (PL 93-641) progress in rural areas to insure equitable representation on the respective governing bodies which administer the provisions of the Act.

(*l*) The House Committee on Interstate and Foreign Commerce shall report on health manpower programs in rural areas with special emphasis on the availability of, and accessibility to, qualified professional, semi-professional, and non-professional medical and para-medical personnel.

(*m*) The House Committee on Interstate and Foreign Commerce shall report on Department of Health, Education, and Welfare documents, such as The Federal Initiative in Rural Health by Dr. Edward D. Martin (Public Health Reports, Volume 90, November 4, July-August 1975); Building A Rural Health System by Claudia B. Galiher, M.P.H.; and The Development of Rural Primary Health Care Services by Dr. John R. Clark (Hospital Education and Research Foundation of Pennsylvania Contract ASM 110-72-270 from BCHS).

(*n*) The House Committee on Interstate and Foreign Commerce shall report on the proposed National Health Goals and Standards from the Department of Health, Education, and Welfare as provided in Public Law 93-641, the National Health Planning and Resource Development Act of 1974.

(*o*) The House Committee on Interstate and Foreign Commerce shall report on proposed legislation to provide specific authorization and appropriations under the Rural Development Act of 1972 for the Secretary of Agriculture to insure the realization of a National Health Policy which would take care of rural areas, including outreach and delivery of health services therein.

(*p*) The Congress shall support the expansion and increased activities of the HEW Office of Rural Development to insure the availability of, and accessibility to, and delivery of health services and programs therein to rural areas.

E. Housing

1. Administrative Action (Refer to CRC budget proposal)

2. Legislative action (Refer to CRC budget proposal)

3. Legislative oversight action

(*a*) The Congress shall report on the effectiveness of housing programs administered by Farmers Home Administration, the Department of Housing and Urban Development, the Community Services Administration, and other sources for CRC action.

(*b*) The Congress shall bring together total governmental and non-governmental housing resources and needs to coordinate and provide access to such resources in rural areas and to develop a positive comprehensive National Housing Policy which will, in fact, provide housing to those in need. Special emphasis shall be given to projects with labor intensive job creation in rural areas.

(*c*) The Congressional Committees on the Budget shall insure the best possible functional classifications for Housing and Rural Development.

F. Human Resources

1. Administrative action

(*a*) The Secretary of Agriculture shall insure the best possible coordination and communication in Federal, State, County and Local Governmental and Non-Governmental efforts to sensitize national social work organizations to rural needs an concerns. (NASW, CSWE, NCSW, and APWA.)

(*b*) The Secretary of Agriculture shall develop a national policy to provide for the unique identification of rural people, their problems, and their needs, including research and demonstration activities.

(*c*) The Secretary of Health, Education, and Welfare shall develop educational materials designed and aimed at the rural context—and not to be "carbon-copies" of urban designed models.

(*d*) The Secretary of Agriculture shall develop a rural relevant social work education program with the Council of Social Work Education and similar groups and to use continuing education programs to retrain social workers to be effective in non-metropolitan areas, to help social workers increase their effectiveness and to influence their State social services policy; and to determine the need for a rural practice specialty in social work.

(*e*) The Secretary of Agriculture shall identify and collect data on rural needs, review programs designed to meet such needs, and determine whether rural concern is actually present or if an urban bias is in existence.

(*f*) The Secretary of Labor shall evaluate the effectiveness of existing training programs to develop special training programs to upgrade rural workers, skills and education.

(*g*) The Secretary of Labor shall develop special programs to upgrade the lower skill individuals in rural areas to better prepare them for competition among more skilled workers being brought in from the outside.

(*h*) The Congress shall determine the need for improving the nation's institutional capacity for implementing rural development policies in our Federal system of shared responsibilities.

(*i*) The Secretary of Health, Education, and Welfare and the Secretary of Labor shall report on the impact of the availability—or nonavailability—of unemployment compensation coverage for farm occupations in small and large operations, together with applicable recommendations.

(*j*) The Congress shall clarify the definitions for "farm workers" and "farm operators" for eligibility in training programs.

(*k*) The Congress and the Executive Branch shall be constantly aware that rural people do not want solutions forced on them at the local level, especially by those who are not fully aware of such local impact and attitudes.

(*l*) The Secretary of Labor shall reevaluate the effectiveness of the Concerted Services in Training and Education concept to determine its applicability in rural areas.

2. Legislative action

(*a*) The Congress shall promote social work sensitivity to rural people in its legislative programs.

3. Legislative oversight action

(*a*) The Congress shall evaluate the effectiveness of the Comprehensive Education and Training Act in rural areas and report proposed changes or new legislation.

(*b*) The Congress shall report on job opportunity programs for farm workers, migrant laborers, and other minority groups in rural areas; including public works and public service employment programs.

(*c*) The House Committee on Education and Labor shall direct the Secretary of Labor to report on the Comprehensive Employment Training Act of 1973 (PL 93-203), as amended, and other Public Laws related to rural job opportunities to determine effectiveness and proposed changes.

(*d*) The House Committee on Education and Labor shall contact the Department of Labor to urge the expansion and increased activity of the Office of Rural Affairs for a more effective delivery of, and access to, job opportunity programs in rural areas.

(*e*) The Congress shall report on a comprehensive, planned and practical public works employment program over 3 to 5 years to alleviate excess unemployment and underemployment, including an appropriate triggering initiative as needed, where needed, and whenever needed, especially in rural areas.

(*f*) The House Committee on Education and Labor shall direct the Director of the Community Services Administration to evaluate job opportunity problems which are peculiar to people living in poverty and to other people in the low income levels and to report on feasible solutions.

G. Internal Administration (Internal CRC)

H. Public Works and Related Facilities, Environment, Water and Waste Disposal

1. Administrative action

(*a*) The Environmental Protection Agency shall assure farmers that installation of recommended animal waste control devices will not be subject to new regulations for a reasonable period unless provisions are made to compensate farmers for the additional expenses.

2. Legislative action (Refer to CRC Budget Proposal)

(*a*) The Congress shall inventory existing public works and related facilities, environmental, water and waste disposal programs in rural areas: identify these resources which need improvement, expansion or replacement with new facilities, including cost estimates for labor intensive job creation; and develop a program for implementation.

3. Legislative oversight action

(*a*) The Secretary of Agriculture, the Secretary of Commerce (EDA), the Secretary of Housing and Urban Development, the Administrator of the Environmental Protection Agency, the Administrator of the Appalachian Regional Commission, the Secretary of the Interior, and other related Federal agencies shall develop funding eligibility for the purchase and use of multifamily and single family sanitary treatment units where practical to offset the use of more elaborate costly water and waste disposal systems. (Refer to the ARC sponsored pilot project in Boyd County, Kentucky)

(*b*) The Congress shall initiate an in-depth evaluation of the pros and cons of a chemical toilet system and related compact waste management system and develop an appropriate program for national consideration where feasible.

(*c*) The House Committee on Public Works and Transportation shall report on public works and related facilities, environmental, water and waste disposal programs in rural areas for the purpose of bringing together total Governmental and Non-Governmental resources in public works and related facilities, environmental, water and waste disposal programs for action at the local level.

(*d*) The Congress shall report on the effectiveness of the Housing and Community Development Act of 1974 (PL 93–383) (special emphasis on Title 1—Community Development Block Grants): (b) Public Works and Economic Development Act: (c) Appalachian Regional Development Act and other Regional Action Planning Commissions: (d) Farmers Home Administration Programs: (e) Joint Funding Simplification Act: (f) Safe Drinking Water Act: (g) respective Revenue Sharing; and (h) Environmental Protection Agency Programs in rural areas.

(*e*) The House Committee on Public Works and Transportation shall report on the progress of the rural water survey as required by the Safe Drinking Water Act and which involves the Environmental Protection Agency and the National Demonstration Water Project. The need for input is essential to rural areas.

(*f*) The House Committee on Public Works and Transportation shall report on the Environmental Protection Agency plans and timetable for actual implementation and construction of facilities nationally, including the impact of compliance in rural areas.

I. Rural Development Act

1. Administrative action

(*a*) When applicable, the Congress shall urge an overall regional purpose in area-wide planning, programming, coordinating, and districting activities for rural development.

(*b*) The Secretary of Agriculture shall identify existing Federal rural development programs and recommend to the Congress a more unified and coordinated service delivery system to rural areas.

(*c*) The States shall assume a more active role in rural development as State policy makers and constant resources for implementation of the Rural Development Act and other Federal programs.

(*d*) The Secretary of Agriculture shall develop a simple, more convenient application procedure for FmHA programs participation.

(*e*) The Secretary of Agriculture shall encourage the creation of more non-farm employment opportunities to stabilize the rural population and to attract new people where practical in an orderly manner.

(*f*) The President and the Congress shall assume a positive attitude with a firm will and commitment to fully and effectively implement the Rural Development Act and related programs.

(*g*) The Secretary of Labor shall report on the impact of unionization efforts in agriculture and farm related activities and the non-farm activities located in such areas.

(*h*) The States, Counties, and Localities shall assess their needs to reorganize and insure coordination among their respective institutions, including the staff to meet such needs.

(*i*) The Congress, the President, the Secretary of Agriculture, and the Secretary of Housing and Urban Development shall note that the urban bias in the HUD 701 Planning program is a direct reflection on the USDA and Administration lack of implementation of its own planning programs under the Rural Development Act. Such implementation and planning must be sensitive to the needs of rural America.

(*j*) The Secretary of Agriculture shall determine the types of additional qualified personnel for the Department of Agriculture to insure the effective implementation of the Rural Development Act, including the actual placement of such personnel.

(*k*) The Congress shall note that secondary market options adopted by FMHA in the B & I program made it possible for bankers to spin off the guaranteed parts of these loans. These secondary market options will be offered to lenders who make FMHA guaranteed rural housing loans, including FMHA guaranteed farm loans. Bankers must become more aware of the secondary marketing of guaranteed loans.

(*l*) The Congress shall insure the full and effective implementation of, and appropriations for, the Rural Development Act of 1972 (P.L. 92–419), as amended, and report on the effectiveness of the Rural Development Act for appropriate action.

(*m*) The House Committee on Agriculture shall discuss with the Regional Rural Development Centers (Oregon, Iowa, Mississippi, and New York), other colleges and universities, and similar institutional organizations ways and means to insure their effective role in a national rural development effort.

(*n*) The House Committee on Agriculture shall evaluate existing administrative judicial, statutory, and related definitions for "rural and urban", "rural area", "rural development", "farm and non-farm", "countryside", "metropolitan and nonmetropolitan", "SMA and Non-SMSA", "family farmer", and "agribusiness" to determine the feasibility of a more flexible standard definition or definitions.

(*o*) The Committee shall act on proposed budget deferral, recission, and termination action to avoid adverse impact on programs related to the Rural Development Act.

(*p*) The Bureau of the Census, Department of Agriculture, Congressional Research Service, and appropriate Congressional Committees shall visibly identify, on a map of the U.S., areas of population of more than 50,000: less than 50,000 - 25,000 - 20,000 - 10,000 - 5,000 and 2,500. Respective Congressional Districts and the Representative's name shall be included for purposes related to more effective action in program and funding allocations to such areas.

(*q*) The House Committee on Agriculture shall act on the 1st, 2nd, 3rd, and 4th Rural Development Goals Annual Report of the Secretary of Agriculture to the Congress, including respective CRC and CRS critiques.

(*r*) The House Committee on Agriculture shall contact the Committees on the Budget to insure the best possible functional classification for HOUSING and RURAL DEVELOPMENT.

2. Legislative action

(*a*) The Congress shall mandate the entire Federal government to assume and implement its statutory commitment to rural areas.

(*b*) Each State, County, Local, and Non-Governmental level shall develop its respective rural development program for consolidation into a national program.

(c) The Congress, the Secretary of Agriculture, and the States shall develop a uniform in-state approach to rural development taking into consideration the role of the State Commissioner/Secretary Department of Agriculture as compared to the existing role of the State Commissioner/Secretary of Commerce (or Economic Development) (or Industrial Development). In some States the State Official in charge of Agriculture has no role in rural development.

(d) The Congress shall act favorably on legislation, to be introduced in the 95th Congress, which broadens and specifically identifies additional duties and responsibilities of the Secretary of Agriculture under the provisions of Title VI of the Rural Development Act. (H.R. 11846, 94th Congress)

3. Legislative oversight action

(a) The Congress shall evaluate the effectiveness and legality of certain multicounty agencies involved in rural development where professional planners control Federal funds and do not account to elect County Officials for program activities where the end may not justify the means.

(b) The Congress and the Secretary of Agriculture shall determine the impact or non-impact of regionalism in rural development.

(c) The Secretary of Housing and Urban Development shall evaluate the existing Comprehensive Planning Assistance Program (Section 701) effectiveness and impact in rural areas to determine the potential for change and to provide for assistance to implement programs identified therein.

(d) The Congress shall seek the results of a joint effort by the National Governors Conference and the Council of State Community Affairs Agencies to evaluate the rural development role of the States during 1977.

(e) The Congress shall provide for the capacity building needs for local governments including the improvement of local government management capabilities, the improvement of institutions, and the processes which impact on rural and urban development.

(f) The Secretary of Agriculture shall determine the feasibility of establishing multicounty development agencies (comprised of or representing elected County Commissioners) within a State for program delivery to rural areas, especially where unincorporated areas need help, insuring that there be no duplication of effort within the area to be served. Such groups shall develop stated goals and objectives: Priorities: Properly staffed: stated boundries: absolutely local input: coordinated with the State; and legally operable for Federal program participation.

(g) The Federal-State-County-Local governments shall locate functional offices and personnel in rural areas, whenever and wherever feasible, to insure a proportionate share of governmental workers.

(h) The Congress shall not duplicate existing farm and non-farm programs of assistance. Those programs already in existence shall be properly funded and implemented as Congress originally intended.

(i) The Congress shall determine the feasibility of eliminating interest subsidies on guaranteed farm loans by leaving such interest rate subject to negotiation between the lender and the borrower as with guaranteed B & I loans.

(j) The Congress shall determine the feasibility of elimination the 5% interest rate on Farm Ownership and Community Facility loans made by FmHA as insured loans, substituting a formula rate, based on the cost of money to Treasury, such as now applies to FmHA insured Farm Operating loans. (Much sentiment remains to leave the Community Facility loan program "as is" at 5%. Any increase in percentage would be adverse to rural areas. The need for Community Facility loans is absolutely essential to rural areas—at the lowest possible interest rate! In other words, the Congress shall make sure that FmHA has available sufficient funds for loan and grants—and uses them as Congress intended!)

J. Rural Disadvantaged

1. Administrative action

(a) The Secretary of Agriculture shall seek the advice and counsel of the National Association of Social Workers and the Council in Social Work Education to create and establish a joint USDA/NASW/CSWE Task Force on continuing education for policies which would be responsive to the needs of nonmetropolitan/small town/rural populations.

(b) The Secretary of Health, Education, and Welfare shall formulate a broad clearly defined Federal Social Work policy for rural areas.

(c) The Social Work profession shall specifically evaluate existing skills and knowledge required for rural social work to fully consider the impact and effectiveness of actual use in rural areas of need.

(d) The Secretary of Labor shall develop a special program to alleviate and eliminate the problems of underemployment and the invisibility of unemployment in rural areas.

(e) The Secretary of Health, Education, and Welfare and the Secretary of Labor shall provide special assistance to upgrade educational and vocational education facilities and programs in rural areas. This shall include alternative programs and schools for disadvantaged and "turned off" people.

2. Legislative action

The Congress shall direct and require Congressional Committees and Subcommittees to include statements of anticipated effect on rural disadvantaged individuals, including appropriate rural disadvantaged input and participation in such legislative process prior to final action. Consideration shall also include the potential adverse impact on the rural disadvantaged individuals and the fair share allocation of program benefits to rural areas.

3. Legislative oversight action

(a) The Congress shall improve the recognition for, delivery of, and accessibility to rural social work service delivery systems and funding.

(b) The Congress and the Executive Branch shall utilize its maximum resources in the solutions to problems in rural America.

(c) The Congress shall insure that special emphasis is accorded the problems, needs, and programs which benefit elderly and service citizens.

(d) Due to the unique and complex challenges confronting the rural disadvantaged, the Congress shall relate these challenges to solutions involving all Congressional Committees.

(e) The House Committee on Agriculture shall contact the Director of the Community Services Administration to discuss the proposed National Center for Appropriate Technology, involving a total commitment of $3.1 million from CSA. The Center is proposed as a national resource to focus technology on solving problems of the poor to combat poverty.

(f) Congressional Committees can benefit by contacting the National Center for Community Action, the National Rural Center, Rural America, Inc., the Housing Assistance Council, and the National Rural Housing Coalition to discuss their comprehensive recommendations in behalf of low income residents in rural areas. These organizations are excellent resources.

(g) Congressional Committees concerned with the Housing and Community Development Act of 1974, Title 1—Community Development Block Grants, are encouraged to contact Rural America, Inc. to discuss the functioning of this program in nonmetropolitan areas. The Community Services Administration approved a one year grant of $152,000 to Rural America, Inc. to monitor and evaluate the impact of the Community Development Block Grant program in rural areas.

K. Transportation and Communications

1. Administrative action

(a) The Interstate Commerce Commission shall eliminate implements in Federal regulatory programs which cause transporters of "exempt agricultural commodities" and "regulated food items" to suffer and which create higher costs, lack of service, inefficiency, and inflexibility.

(b) The Interstate Commerce Commission shall reevaluate Federal regulations which govern the "backhaul" concept in the transportation of raw commodities which are "exempt" from ICC economic regulations going one way but "nonexempt" for manufactured items going into agricultural production areas on return movements. The pros and cons shall be the subject of Congressional public hearings at the local level to evaluate the impact on the producer, the shipper, the processor, and the consumer.

(c) The Secretary of Agriculture and the Secretary of Transportation shall jointly develop and implement a transportation system for rural areas to alleviate and eliminate problems such as deteriorating roads, highways, and bridges; poorly maintained and soon to be abandoned rail lines; inequitable regulatory policy for transportation of products and people; lack of mass transportation program; and a poor air transport plan. Such programs shall complement each other rather than one contribute to the downfall of the next.

(*d*) The Secretary of Transportation shall include rural areas in urban transportation centers systems, especially when such potential impact can be determined or projected.

(*e*) The Secretary of Transportation shall insure closer coordination and communication with the States to more effectively plan and implement rural road and bridge improvements, fully recognizing the individual needs of each State and unit location.

(*f*) The Secretary of Agriculture shall insure the guarantee of existing airline service to rural communities at present or improved levels of service, especially where CAB regulations are used.

(*g*) The Secretary of Transportation shall influence individual transportation programs so they will favorably impact on rural areas.

(*h*) The Secretary of Agriculture shall develop a practical rural communications policy which will enhance the daily activities of the farm and nonfarm segments to be able to receive the full benefits of existing and future communications technology.

(*i*) The Secretary of Transportation shall change existing rules and regulations governing the RHPTD program to permit the development and funding of more workable programs and provide a more equitable allocation of funds.

(*j*) The Secretary of Agriculture shall allocate funds to implement the research recommendations reported by the Ad Hoc Committee on Agricultural Transportation, available from the Department's Science and Education Staff.

(*k*) The Secretary of Agriculture shall determine priorities and funding levels for the development and implementation of an effective rural transportation research program for commodities and people.

(*l*) The Secretary of Agriculture shall review and evaluate needs and opportunities for research concerned with transportation services for agriculture and rural America and recommend program priorities, as reported in March 1973, on a current basis within a period of not more than 180 calendar days from the beginning of such action. (The same report noted that of 21,000 research projects in USDA and land grant institutions, only 42 projects were identified as transportation research.)

(*m*) The Secretary of Transportation shall specifically evaluate the same March 1973 report (Ad Hoc Committee on Agricultural Transportation Research, USDA) which includes sections dealing with Public Policy Research (Service availability, Government regulation, and Transportation impediments and subsidies): Transportation User Research (Impact of changing Technnology, Transportation needs, Food distribution systems, User operated equipment, and Matching Transportation services with surge demands); and Transportation Systems Research (Improve services and equipment, Improve coordination of services, Improve food delivery equipment and methods, and Improve transportation system) in rural areas.

(*n*) The Secretary of Agriculture shall evaluate the NATIONAL TRANSPORTATION POLICY STATEMENT of the Department of Transportation, dated September 1975 and subsequent statements to insure more comprehensive input for rural areas in future statements.

(*o*) The Department of Transportation Office of Rural Transportation Policy shall develop a proposed National Rural Transportation Policy to insure effective coordination with other federal agencies in the orderly growth and development in rural areas.

2. *Legislative action*

(*a*) The Congress shall initiate a national effort to encourage States to develop a uniform motor carrier regulation program related to size of carrier, weight, restrictions, licensing, taxing, registration, insurance, and other such compliance requirements. This is absolutely essential to all transportation oriented groups.

(*b*) The Congress shall continue to subsidize rail freight branch line service determined to be essential by the States which impact on the State or region involved or affected. (75% Federal plus 25% State, Local, or Non-Governmental)

(*c*) The Congress shall continue to support AMTRAK, realizing that any adverse action which affects the AMTRAK system will also have an impact on residents and users from rural areas.

(*d*) The Congress shall provide proportionate assistance to rural areas for public transportation to help the elderly, handicapped, poor, and other rural transportation disadvantaged.

(*e*) The Congress shall develop a major program, prior to major rail abandonment over the next 5 years, to provide for reconstruction of roadways and bridges which may be subject to the increased burden of truck traffic caused by such rail abandonments. Such improved roadways and bridges will bolster the local economy and connect rural to urban centers.

(*f*) The Congress shall develop major rural highways, roads, and bridges improvement programs plus a special rural public transportation program, insuring that actual implementation shall begin on an expedited basis, rather than the usual 5 to 10 years planning to completion experience.

(*g*) The Congress shall increase Federal efforts in transportation research, demonstration projects, and funding to insure the formulation of a National Rural Transportation policy in a nation which does not have such policy. Our nation has failed to provide information for a rural transportation policy: it has caused the reduction of transportation in rural areas through railroad abandonment: it has reduced Federal support for secondary roads: it has failed to insure rural interests in transportation regulatory agencies: it has failed to respond to the growth of rural areas where increased food production, mining and other extractive industries are in dire need of adequate transportation.

(*h*) The Congress shall provide special assistance to rural area for the improvement of existing bridges, roads, and highways, especially in those areas of greatest need and least able to afford such action.

(*i*) The Congress shall ease the planning and environmental compliance requirements for use of Federal funds in rural areas in such manner as to avoid adverse results from such action.

(*j*) The Congress shall provide assistance to rural areas where the loss of rail systems result in a shift to more use of exiting outmoded rural roads and bridges, resulting in alternate transportation facilities.

(*k*) The Congress shall provide an effective program of assistance to rural areas for roads, highways, and bridges. Over 90,000 bridges in the U.S. are in need of repair and replacement, many in rural areas.

(*l*) The Congress shall require States to give rural areas a major priority in the allocation of Federal funds for bridge, road, and highway programs.

(*m*) The Congress shall provide additional authorization and funds to rural public transportation so the poor, the elderly, and the disabled will not be disadvantaged or isolated from needed services and facilities in and out of rural areas. There is a definite need for reality in such action, not the usual bureaucratic game of words.

(*n*) The House Committee on Agriculture shall evaluate existing transportation rules, regulations, and statutes which create transportation disadvantages in the movement of agricultural and related products from the farm or producer to the consumer; resulting in outmoded and complicated regulations of carriers; and recommend proposed solutions.

(*o*) The House Committee on Public Works and Transportation shall report on selected transportation projects in rural areas, sponsored by the Appalachian Regional (and similar) Commission, the Department if Transportation, and other federal agencies, to determine extension or expansion of existing projects into those areas where they are non-existent or to propose additional innovative concepts adapted to rural areas; both in the public and private sector.

3. *Legislative oversight action*

(*a*) The Congress shall initiate a comprehensive national study to report on the pros and cons and impact of the "backhaul" problems, taking into consideration the national perspective of all areas.

(*b*) The Congress shall reevaluate the Agricultural Marketing Act of 1929 which provides exemptions for recognized cooperative trucking association to operate without ICC clearance in the transport of regulated commodities to insure bonafied compliance.

The Congress shall consider a Federal certification requirement prior to approving an exemption certification: movements of required commodities shall be allowed only at prescribed minimum rates: imposition of stricter ICC reporting requirements with stiff penalties for failure to file or for false reports.

(*c*) The Congress shall preserve the exemption for legitimate agricultural cooperatives in the transportation of agricultural products which is of utmost importance to the agriculture industry. Any limitation of such ability to utilize the exemption will reduce the income of farmers and increase food costs to the consumers.

(*d*) The House Committee on Agriculture, the House Committee on Public Works and Transportation, the House Committee on Small Business, the House

Committee on Interstate and Foreign Commerce, and related Committees shall contact the Senate Committee on Agriculture and Small Business and the Senate Committee on Commerce to coordinate its efforts in the discussion of conclusions in the Office of Technology Assessment final report on the feasibility if telecommunications alternatives as they affect rural development.

(*e*) The Congress shall determine whether public transportation is to be a money-making proposition or a public service. In other words, if the urban centers can not make a profit, then it is doubly hard for rural areas to survive financially.

(*f*) Congress shall reevaluate its programs for public transportation operating costs and capital expenditures, providing a fair allocation of funds to be used for operating costs and capital expenditures in rural areas. This shall be a major transportation priority.

(*g*) The Congress shall reevaluate existing Federal, State, and local taxes, assessments, State contributions, and related requirements to determine appropriate changes, especially the need for increased Federal contributions to cover the operating costs for public transportation systems.

(*h*) The Congress shall encourage the States to favor rural roads, highways, and bridges or rural public transportation needs should their veto of nonessential urban portions of the Interstate System take place. (Federal Highway Act 1976) If necessary, the Congress shall specifically direct such action by statute.

(*i*) The Congress shall encourage the States to favor rural areas in the apportionment formula for non-Interstate projects (60% on existing primary system apportionment formula and 40% on proportion of State's population to overall national population). The redefinition of "construction" should be of great assistance to rural areas.

(*j*) The Congress shall evaluate the railroad reorganization program, provide continuing Federal subsidies for selected rural rail systems, document the cost and impact on rural areas of rail abandonment, and develop alternatives for the movement of commodities and people affected by such actions.

(*k*) The Congress shall reform Federal transportation regulatory agencies and those regulations of carriers to insure that it is easier, rather than more difficult for carriers to serve rural communities.

(*l*) The Congress shall evaluate the conclusions and proceedings of the recent Office of Technology Assesment conference to determine the value and feasibility of the broadband communications technology for rural people.

(*m*) The Congress, the Secretary of Transportation, and the Secretary of Agriculture shall reevaluate and provide solutions for existing transportation problems as a result of post and pending actions resulting from Federal legislative programs affection rural areas.

(*n*) The Congress shall alleviate and eliminate problems, aggrevated by Federal action related to transportation, fully recognizing that rural areas have the most difficulty trying to deal with these problems and to solve them due to low population density and relatively poor economic bases and that rural areas have lost and will lose much of their rail freight system and can least afford such loss.

(*o*) The Congress, the Secretary of Transportation and the Secretary of Agriculture shall determine the potential for rail and alternative modes of transportation system subsidies for rural areas, considering the movement of people and commodities.

(*p*) The Congress must realize the inability of rural areas to solve their local transportation problems, resulting in a decision-making process where "they can't afford to help and they can't afford not to help!"

(*q*) The Secretary of Transportation shall require the States to properly develop Interstate Highway intersections in rural areas to provide jobs for local people in the services and maintenance industries. The new village modes concept for the Interstate Highway System shall be part of a ready-made job creation program on a lease basis, including technical and financial assistance as may be required.

(*r*) The House Committee on Public Works and Transportation shall report on the Department of Transportation Report on Rural Passenger Transportation Technology Sharing, dated October 1976, issued by the USDOT Transportation Systems Center, Cambridge, Massachusetts, including proposed changes.

(*s*) The House Committee on Public Works and Transportation shall report on the Feasibility of using school bus vehicles for public transportation in rural areas, including proposed changes.

(*t*) The House Committee on Public Works and Transportation shall report on the need for Federal financial assistance for capital investment in private and public transportation in rural areas.

(*u*) The House Committee on Public Works and Transportation shall report on selected transportation-oriented public works and transportation programs in rural areas.

(*v*) The Congress shall report on the BROADBAND COMMUNICATIONS REPORT, issued by the Office of Technology Assessment, to determine its potential impact in rural areas, including the results of the November 1976 OTA conference related to the report.

4. Budgetary action

(*a*) The Congress shall mandate the President to obligate the $500 million provided for non-urban areas in the Urban Mass Transportation Act of 1974 for the transportation needs of rural people.

(*b*) The Congress shall authorize the use of funds from the UMTA/1974 non-urban $500 million for Section 5 operating subsidies and for providing transportation services to meet the needs of elderly and handicapped people (rural disadvantaged). (Similar to HR 3155 which did not clear the House Committee on Public Works last year.) (Urban grantees are authorized to use funds for operating expenses.)

(*c*) The Congress shall appropriate $50.5 million for implementation of the Rural Highway Public Transportation Demonstration program. Joint administration of the RHPTD program shall be changed to one or the other, avoiding untimely delays in processing applications. The operational expense ratio shall be changed to permit that portion of the grant equal to 30 percent of the total program budget from all sources to be used for operating expenses. The cost of required public hearings shall be an allowable cost under the grant to rural areas.

(*d*) The Congress shall expand from five (5) to 50 program projects in HEW to determine the feasibility of coordinating or consolidating existing transportation resources by the Office of Human Development programs for the elderly, handicapped, developmentally disabled, low-income children and Native Americans.

(*e*) The Congress shall appropriate at least $4 billion annually for the next ten (10) years ($40 billion—10 years) to rehabilitate the nation's 90,000 deficient bridges, many of which are in rural areas. Special attention shall be given to specific labor intensive projects to create jobs.

L. Congress and the Executive Branch

1. Administrative action

(*a*) The Congress and the President shall take into consideration the realization of a Federal-State-County-Local partnership in any and all efforts to restructure and reorganize the Federal government.

2. Legislative action

(*a*) The Congress shall direct Federal agencies to include statements of anticipated effect on the public as part of its rule making responsibility, including the feasibility of public participation in the regulation making process prior to final action. Consideration shall also include the estimated public benefits as compared to the public costs involved.

(*b*) The Congress shall direct and require Congressional Committees and Subcommittees to include statements of anticipated effect on rural areas as part of its respective legislative responsibility, including appropriate rural input and participation in such legislative process prior to final action. Consideration shall also include the potential adverse impact on rural areas and the fair share allocation of program benefits to rural areas.

3. Legislative oversight action

(*a*) The Congress and the Executive Branch shall exert every possible effort to put its own house in order before it calls for a clean house at the local level.

(*b*) The Congress and the Executive Branch shall try once again to bring order to the maze of Federal programs, rules, regulations, and other bureaucratic activities and programs which can not be properly coordinated by the Federal officials charged with such matters.

(*c*) The Congress shall direct and require selected Congressional Committees and Subcommittees to assign a staff member to evaluate legislative proposals to insure appropriate rural input.

(*d*) The House Committee on Agriculture and the Senate Committee on Agriculture and Small Business shall expand its existing staff members to insure an adequate professional rural development input for farm and non-farm legislative proposals within the respective Committee jurisdiction. This shall include other

Congressional Committees and Subcommittees with legislative responsibilities which impact on agriculture and rural development. Neither Committee is adequately staffed to properly perform its rural development functions, especially in the role of positive Congressional oversight.

QUARTER—FARMER PROGRAMS—HOUSING PROGRAMS—COMMUNITY SERVICES PROGRAMS—BUSINESS AND INDUSTRIAL PROGRAMS—FIRE PROTECTION GRANTS—AND ADMINISTRATIVE EXPENSES (JAN. 6. 1977)

	Obligated		
	Fiscal year 1976	Third quarter	Total
Farm programs:			
Farm ownership loans:			
Insured	$434, 260, 098	$128, 612, 160	$562, 872, 258
Guaranteed	744, 700	467, 800	1, 212, 500
Subtotal, farm ownership	435, 004, 798	129, 079, 960	564, 084, 758
Farm operating loans:			
Insured	529, 505, 259	76, 191, 979	605, 697, 238
Guaranteed	9, 712, 174	683, 523	10, 395, 697
Subtotal, farm operating	539, 217, 433	76, 875, 502	616, 092, 935
Soil and water loans (individual):			
Insured	32, 552, 650	18, 516, 770	51, 069, 420
Guaranteed	9, 750	[1] −8, 950	800
Subtotal, soil and water	32, 562, 400	18, 507, 820	51, 070, 220
Recreation loans (individual)—Insured	1, 167, 250	604, 840	1, 772, 090
Emergency loans:			
Insured	441, 679, 370	40, 973, 920	482, 653, 290
Guaranteed	36, 032, 449	528, 690	36, 561, 139
Subtotal, emergency	477, 711, 819	41, 502, 610	519, 214, 429
Grazing association loans—Insured	3, 987, 700	1, 007, 200	4, 994, 900
Irrigation and drainage loans—Insured	1, 000, 000	3, 830, 000	4, 830, 000
Indian land acquisition loans—Insured	3, 148, 000	9, 000, 000	12, 148, 000
Emergency livestock loans—Guaranteed	331, 060, 690	94, 435, 860	425, 496, 550
Total, farmer program	1, 824, 860, 090	374, 843, 792	2, 199, 703, 882
Rural housing programs:			
Low-moderate income housing loans—Insured	2, 286, 635, 234	613, 289, 628	2, 899, 924, 862
Very low income repair loans—Insured	5, 937, 430	2, 351, 230	8, 288, 660
Rural rental housing loans—Insured	231, 202, 150	268, 780, 850	499, 983, 000
Farm labor housing loans—Insured	583, 940	9, 531, 980	10, 115, 920
Rural housing site loans—Insured	624, 850		624, 850
Self-help land development loans—Insured		565, 130	565, 130
Farm labor housing grants		10, 729, 570	10, 729, 570
Mutual and self-help housing grants	604, 200	5, 485, 610	6, 089, 810
Total, rural housing program	2, 525, 587, 804	910, 733, 998	3, 436, 321, 802
Community services programs:			
Water and sewer loans—Insured	442, 641, 834	144, 857, 083	587, 498, 917
Community facility loans—Insured	170, 200, 600	79, 795, 000	249, 995, 600
Watershed and flood prevention loans—Insured	777, 800	6, 099, 200	6, 877, 000
Resource conservation and development loans—Insured	1, 093, 200	1, 464, 000	2, 557, 200
Water and sewer, FmHA, grants	146, 888, 060	76, 894, 100	223, 782, 160
Water and sewer, other, grants	17, 266, 949	11, 790, 488	28, 976, 437
Rural development grants	7, 549, 700	7, 287, 519	14, 837, 219
Emergency job grants	2, 871, 000		2, 871, 000
Total, community services program	789, 289, 143	328, 106, 390	1, 117, 395, 533
Business and industrial development loans:			
Insured	7, 974, 000	[illegible], 527, 000	22, 501, 000
Guaranteed	266, 189, 841	148, 807, 900	414, 997, 741
Subtotal, business and industrial loans	274, 163, 841	163, 334, 900	437, 498, 741
Subtotal, loans and grants	5, 413, 900, 878	1, 777, 019, 080	7, 190, 919, 958
Fire protection grants [2]	(3, 133, 617)	(1, 139, 290)	(4, 272, 907)
Administrative expenses [3]	158, 277, 410	48, 044, 778	206, 322, 188
Total, Farmers Home Administration	5, 572, 178, 288	1, 825, 063, 858	7, 397, 242, 146

[1] Credit item represents net adjustment of fiscal year 1976 obligations.

[2] Reported by Forest Service.

[3] Excludes reimbursements of $415,076 in fiscal year 1976 and $140,686 in the transition quarter.

Part XII—FmHA Current Interest Rates (1/6/77)

Farmers Home Administration

	Current interest rate
Agricultural Credit Insurance Fund:	
Emergency loans:	
Loss loans	5.00
Annual production and major adjustment loans	8.00
Watershed and flood prevention and resource conservation and development loans	5.683
Farm ownership loans	5.00
Recreation loans—individuals	5.00
Soil and water loans—individuals	5.00
Association loans—nonpublic body:	
Soil and water loans—associations	5.00
Grazing associations	5.00
Recreation associations	5.00
Indian tribe land acquisitions	5.00
Farm operating loans	8.00
Emergency Livestock Credit Act of 1974	[a]
Rural Housing Insurance Fund:	
Farm labor housing loans—individuals (514)	1.00
Farm labor housing loans—organizations, nonpublic body (514)	1.00
Farm labor housing loans—organizations, public body (514)	1.00
Very low income housing repair loans (504)	1.00
Rural housing loans—low- or moderate-income (502)	[b] 8.00
Rural rental housing and rural cooperative housing loans (515)	[b] 9.00
Rural housing site nonself-help site loans (524)	8.00
Rural housing loans—above moderate income (502)	[c] 8.00
Self-Help Housing Land Development Fund:	
Mutual and self-help site loans (523)	3.00
Rural Development Insurance Fund:	
Association loans—public body:	
Community facility loans	5.00
Water and waste disposal development loans	5.00
Business and industry loans	[d] 9.25

[a] Negotiated (determined between borrower and lender).

[b] Interest credits may be granted on loans to lower income families to reduce the effective interest rate on the loan to as low as 1%.

[c] 8.00% interest plus a .5% insurance charge.

[d] Rate applies only to those loans made on an insured basis. On those loans made on a guaranteed basis the rate is negotiated (determined between borrower and lender).

Section D

Rural Development Goals: Critique of the Second Annual Report of the Secretary of Agriculture to the Congress[*]

OVERVIEW

Is the economic and population base of Rural America receding or gaining strength? Have Federal policies and programs helped shape a turnaround? What should we as a nation be doing about the development and redevelopment of our rural communities?

A report on rural development goals issued by the Secretary of Agriculture would presumably help us answer such questions. The Second Annual Report of the Secretary of Agriculture to the Congress on "Rural Development Goals"[1] contains much useful information. But it sets no long-term numerical targets for jobs and income, community facilities and housing, or other needs of rural areas; it contains no in-depth analysis of the economic prospects of business and industry in rural places; it does not evaluate the effectiveness of existing Federal programs; and it offers no specific recommendations for new Federal policies or activities to revitalize rural areas. Thus some may question whether the most recent rural development goals report fully responds to the spirit of the law contained in Title VI of the Rural Development Act of 1972.

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[*] Prepared at the request of the Congressional Rural Caucus, by Morton J. Schussheim, coordinator, Richard L. Wellons, Pauline Smale, Philip Winters, Herman E. Schmidt, Paul Irwin, Susan Abbasi, and Sandra S. Osborn, Congressional Research Service, Library of Congress.

[1] "Rural Development Goals," Second Annual Report of the Secretary of Agriculture to the Congress (Pursuant to Title VI, Section 603(b), of the Rural Development Act of 1972). If not otherwise specified, references to the "report" relate to this document.

WHAT THE LAW REQUIRES

The Rural Development Act of 1972 (Public Law 92–419) adds rural development as a basic concern of the Department of Agriculture and directs the Secretary of Agriculture to advise the President and the Congress on policies and programs designed to improve the quality of life for people in rural and nonmetropolitan areas (Sec. 603). The Secretary is charged with responsibility for coordinating a nationwide rural development program utilizing not only the programs of his own department but of all Federal departments and agencies This is to be done in coordination with related programs of State and local governments. In furtherance of this mandate the Secretary of Agriculture is instructed to establish rural development goals in connection with employment, income, population, housing, and quality of community services and facilities. He is required to report to Congress each year prior to September 1 on progress in attaining such goals.

The law does not define the term "goals" or specify the procedures by which goals in the several sectors shall be established. The requirement for annual reports on progress toward the goals suggests, however, that the goals should, where possible, be in the nature of numerical targets to be accomplished over a specified period of time.

There seems little doubt that Congress intended the Secretary to develop a national program for rural development and not simply provide financial support for an assortment of disjointed local and State activities operating under the rubric of rural development. In fact, when the Secretary of Agriculture attempted to delegate decision-making for rural development to the State governments, he was prohibited from this course of action by the Congress. An amendment to the Agriculture and Consumer Protection Act of 1973 states: "No grant or loan authorized to be made under this Act shall require or be subject to the prior approval of any officer, employee, or agency of any State." [1a]

THE SECRETARY'S APPROACH TO FORMULATING GOALS

The Second Annual Report presents "tentative qualitative goals statements" for employment, income, population, housing, and community services and facilities.[2] These are stated in broad terms. The employment goal, for example, is set forth as follows:

"*Employment*—Assist in the creation of a climate conducive to growth in the employment base of rural America, thereby providing a range of job opportunities for those who wish to live in rural areas."

An alternative approach is to estimate the increase in jobs required to absorb the prospective growth in the labor force resulting from natural increase in population over the coming decade. The report takes cognizance of this approach in referring to the experience of the 1960s. During that decade in the absence of outmitigation there would have been an estimated net increase in the nonmetropolitan male labor force of two million; in fact, the actual net increase was 139,000. But the report stops short of making such projections for the remainder of the 1970s or 1980s.

The report provides what is termed "quantitative goals statements or targets" based on budget figures of the Department of Agriculture for fiscal year 1975. For example, 12,000–15,000 new jobs are estimated to result from business and industrial loans guaranteed by the Farmers Home Administration; another 35,000–42,000 manyears of "one-time" work are projected for construction of new public facilities authorized under Title I of the Rural Development Act of 1972. Such one-year estimates are normally presented with or as "program levels" or "workload" rather than as goals or targets.

The multiplier effect of such programs is recognized but not quantified. Thus the report refers to "an undetermined number of cotninuing jobs generated in supporting businesses." There are methods for estimating the series of expenditures and labor requirements that follow an initial capital investment. Inasmuch as the multiplier effect is adduced as a major reason for governmental loans or loan guarantees, one would think that the Secretary would prepare such estimates for federally-aided outlays in rural areas.

[1a] Public Law 93–86, Sec. 817.

[2] The First Annual Report, issued January 1974, consisted mostly of statistical background data on nonmetro conditions. A critique of the First Report is presented in "Goals for Rural America: An Analysis of the First Annual Rural Development Goals Report", a committee print of the House Committee on Agriculture, 93rd Congress, 2d Session, November 1974.

An obvious gap in the report is the paucity of discussion of goals and progress toward goals of Federal programs that are not administered by the Department of Agriculture. In connection with housing, as an illustration, there is virtually no mention of conventional public housing, the leased housing program (Sec. 8), or community development block grants—Federal programs available through the Department of Housing and Urban Development. In the discussion of water and waste systems, the Secretary's report focuses on the relatively small loan and grant programs administered by FmHA. The much larger grant program for sewage plant construction administered by the Environmental Protection Agency and programs of the Appalachian Regional Commission and the Economic Development Administration are mentioned only in passing. The report says:

"The impact of these programs on the needs of rural communities for water and waste disposal systems cannot be assessed because adequate data are not currently available." [3]

Failure to secure such information may result in a shortchanging of rural communities in the distribution of Federal funds. It may also suggest that the Secretary of Agriculture is failing to exercise strong leadership within the executive branch on all Federal activities and programs of potential importance to the development of rural communties.

Further evidence of this parochial outlook is found in the thin treatment of goals for functional areas that are not specified in the legislative language, yet are basic to improving the quality of life and livelihood in rural America. Among these functions are health, education, transportation, and the credit system. As noted in the memorandum on health elements, the Secretary's goals statement on health excludes programs of the Department of Health, Education and Welfare and the Veterans Administration. In limiting itself to rural health outlays funded under the Rural Development Act, the report covers less than three percent of total Federal health outlays in rural areas.

The weaknesses of the Secretary's Second Annual Report on Rural Development Goals evidently result to some degree from a basic philosophical disagreement on the part of the Administration and the Secretary with the thrust of the law passed by the Congress in 1972. The Secretary's report states:

"The articulation of these types of comprehensive goals for . . . the residents of nonmetropolitan America is a complex undertaking which poses a dilemma for the executive branch. To arbitrarily set specific goals at the Federal level implies a centralization of Federal control and depth of Federal wisdom and capability that is at variance with this Administration's philosophy of fostering a more decentralized government." [4]

It seems clear from this statement that the Administration and the Secretary of Agriculture do not believe in strong Federal leadership in connection with rural development. They would prefer to delegate this responsibility to State and local officials. And they question Federal competence "to arbitrarily set specific goals" for rural America. It may be noted that the legislation enacted by the Congress in this regard does not suggest that the Secretary "arbitrarily" set specific goals nor that he act capriciously.

The law does direct the Secretary of Agriculture "to provide leadership and coordination within the executive branch and . . . assume responsibility for coordinating a nationwide rural development program . . . in coordination with rural development programs of State and local governments." [5] The statute calls for cooperation with State and local officials. But Congress considered and rejected an Administration proposal to enact a rural revenue sharing program under which State and local governments would largely decide on how federally-collected dollars would be spent in rural areas. Congress deliberately chose a policy of substantial Federal involvement in improving the quality of life in rural areas. This policy was to be advanced by the setting of goals and periodic reports on progress toward these goals. The Secretary of Agriculture may disagree with the "philosophy" of the Rural Development Act of 1972, but he is duty-bound to implement it.

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[3] Rural Development Goals, *op. cit.*, p. 11.
[4] Rural Development Goals, *op. cit.*, p. 1.
[5] Public Law 92-419, Sec. 603(b).

Some unanswered questions on rural development

The Secretary's report leaves many large questions about rural development unanswered and, in some cases, unasked. Some of these questions are raised here. A more extensive treatment of these and other questions will be found in the attached memoranda prepared by subject specialists of the Library of Congress.

1. *Income*

The income disparity between metropolitan and nonmetropolitan families appears to have narrowed since 1970. Is this a significant trend? Can it be reconciled with an apparent continuing wide gap when income is measured per person? If the gap in income between metro and nonmetro families has actually narrowed, what factors underlie this improvement?

2. *Employment*

Current unemployment rates in rural areas do not appear to differ substantially from those in metropolitan areas. Do these figures tell the whole story? What is the nature of underemployment in rural areas? How many workers feel compelled to hold more than one job? How do wage rates compare as between nonmetro and metro workers with similar skills?

3. *Manpower Training*

What has been the impact of federally-funded manpower development and training programs on rural areas? Should rural manpower training programs prepare workers only for jobs likely to be available in rural areas or also for skills required in urban areas?

4. *Credit Requirements*

Are many rural areas or rural-based businesses chronically credit-short? If so, is this because yields for comparable risk investments are lower in rural areas? Or is it due to an underdeveloped system for harnessing savings or steering outside funds into rural communities? What proportion of potential rural business and industrial investment is being accommodated by the loan programs of FmHA and the Small Business Administration? What types of activities are being financed through these Federal programs and what do they mean in terms of jobs, wage rates, and incomes when their ripple effects are taken into account?

5. *Transportation*

An efficient transportation network is a key factor in the economic growth of a regional or local economy. Are many rural areas failing to grow because of curtailment of rail services or the inadequacy of highways? Can a case be made for a big increase in federal-funded transportation services for rural areas?

6. *Sewer and Water Facilities*

What is the range of need in rural areas for sewer and water facilities and other community facilities over the next five to ten years? What proportion can be handled by the present scale of Federal loan and grant programs? What standards are appropriate for places of different population size and density?

7. *Health*

What are the particular health problems of rural areas and how are they to be met? With 672 counties and service areas designated as critical health shortage areas[*] and nonmetro populations generally underprovided with medical care, what can be done to induce an adequate number of doctors and related health personnel to locate in rural areas? What are the additional elements of an effective and affordable health delivery system for rural communities?

8. *Education*

Rural youth of all ages are among the poorest performers in a wide range of subjects in nationwide tests. What can be done to raise educational achievement of students in rural areas? How are the special financial and administrative problems of sparsely populated educational systems to be addressed? The Federal government pays only a small portion of the costs of primary and secondary education in rural (as well as metropolitan) areas. Can a case be made for increasing Federal support in this sector?

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[*] Source: National Health Service Corps, Public Health Service, February, 1975.

9. *Housing*

The 1968 Housing Act called for the production or rehabilitation of 6 million subsidized housing units for low and moderate income families over the following ten years. While the act did not apportion the national housing target between metro and nonmetro areas, on a population basis about 2 million subsidized units would be provided in rural areas over the 1969–78 period. According to the 1970 Census, there were 2.2 million households in nonmetropolitan areas occupying units lacking toilets or other facilities that constitute full plumbing in a house. Of these households, more than half (1.2 million) had incomes below the poverty line (then $3,743 for a nonfarm family of four persons). Few of these families would have enough income to participate in existing FmHA housing programs, even those providing interest rate reduction subsidies down to 1 percent. What kind of housing programs can be devised for such very low income families?

With regard to the on-going FmHA housing programs, Administration guidelines are placing increasing emphasis on utilizing existing housing rather than financing new construction. Will this not tend to increase prices of existing housing in rural communities with tight markets without adding much to the supply available to lower income families? How does this departmental emphasis square with a USDA study published in 1975 that found fewer than 200,000 adequate units situated in nonmetro counties having the worst housing?[7]

10. *Environmental Protection*

The extractive and agricultural activities carried out in rural areas historically have been aimed at taming the natural environment rather than protecting it. Only in recent times has the nation come to recognize the importance of maintaining the quality of the natural environment and preserving it for future generations. What are the components of a balanced environmental policy for rural areas? Has such a strategy begun to emerge under the National Environmental Policy Act? Has compliance with the act or related legislation worked a severe economic hardship on many rural industries or communities? If so, what compensatory policies or actions are indicated?

11. *Population Settlement Policy*

Does the nation have a coherent population settlement policy? Several legislative enactments have called for balanced growth and implied that the nation would be better off if the migration into metropolitan areas could be slowed or reversed and rural communities stabilized. If there is a coordinated effort within the executive branch to foster this goal, it has escaped the attention of most observers. What is the significance of the turnaround in population growth rates in the 1970–1973 period? That the highest rates of growth were in nonmetro counties adjacent to metro counties should restrain the enthusiasm of ruralists, since this suggests the inexorable spread of the metropoli. The fact that noncontiguous counties outside of metro areas also grew faster than metro areas, albeit not as rapidly as adjacent nonmetro counties, may be a more hopeful omen.

But what price growth? The very qualities ruralists seek to preserve can be undermined by rapid or dense growth. As an attached memorandum suggests, measures must be taken if we are to assure that people moving to rural areas to secure a particular quality of life do not destroy, by their very numbers or demand for supporting services, that quality of life.

WHAT CONGRESS CAN DO

1. *Require quantitative goals*

The foundation of a sound policy is a careful assessment of needs and the setting of targets for designated functions. In the Second Annual Report on Rural Development Goals, as in the First, the Secretary has declined to set multiyear quantitative targets or goals for income, employment, housing, and other concerns vital to the rural population. If the Congress wants quantitative targets in these areas to be set at the national level for time-specific future periods, it could amend Section 603 of the 1972 Rural Development Act. At the request of Senator Lee Metcalf, the General Accounting Office prepared amendatory language that would clarify congressional intent:

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[7] *Vacant Housing.*—Is it Adequate and in the Right Places? By Ronald Bird. Economic Research Service, U.S. Department of Agriculture. Statistical Bulletin No. 536. February 1975.

The report shall set forth in qualitative and quantitative terms progress in meeting the goals and objectives of the long-range rural development plan for America.[8]

2. *Specify additional priority concerns*

The Secretary's Report gives little attention to such functions as transportation, credit requirements, health, and education. These and other functions could be added to the concerns presently included in the goals requirement of Section 603.

3. *Clarify the goals-setting process*

The Secretary's Report implies that goals are to be set at the national level by aggregating local goals. It refers to "limitations of the state of the art of setting locally derived goals on a national scale." [9] While local and State input is clearly necessary, the priorities of local and State governments may not necessarily coincide with national needs and priorities. For example, some local governments may seek to zone out lower income housing or anything but research laboratories and similar "clean" industrial investments. Yet the nation as a whole has a stake in providing a place for such families and industries. Whenever there are large externalities, as with air and water pollution, regional and national considerations supersede local ones. Thus the Congress may want to make it clear that the formulation of rural goals by the executive branch is to be performed in light of national needs and concerns.

4. *Reassignment of responsibility for rural development*

When Congress has authorized major new responsibilities for the Federal government, it has frequently established new agencies to implement the new function. Such was the case with environmental protection, the antipoverty program, and the space program. If rural development is to receive priority attention within the executive branch, it may be necessary to establish a new independent agency to administer the program. A new agency can sometimes attract more dynamic leadership and energetic personnel than established departments.

Congressional committees debated the question of whether to establish an independent agency for rural development but finally determined to lodge the function in the Department of Agriculture. In part this decision represented a vote of confidence in the Farmers Home Administration as an operating agency. That confidence may have been justified. The critical question is whether the Secretary of Agriculture is able and willing to develop and promote a broadscale rural development program for the nation. Organizational rearrangements do not ensure the success of a policy or program. But surely it will be considered by Congressional proponents of rural development if the feeling grows that the Department of Agriculture is not fully committed to carrying out a major mission mandated by law.

Library of Congress

Memorandum to: Morton J. Schussheim, Senior Specialist in Housing.
From: Richard Wellons, Research Assistant.
Subject: Rural Employment and Income Goals Report.
Date: August 12, 1975.

The general employment goal, according to the Rural Goals Report, is to develop job opportunities in rural areas that have incomes equal in purchasing power to those in metropolitan areas. In furtherance of this goal, the report sets several objectives for rural areas: higher skill levels; an upgraded mix of jobs; and a higher participation rate for women and minorities. The degree to which these are presently problems is not indicated. Neither does the report provide historical or current data on the rates or characteristics of rural unemployment or income that could define the magnitude of the problem and the assistance required.

Some information of this type is available. According to Bureau of Labor Statistics data for the second quarter of 1975, there were about 28 million people in the labor force in nonmetro areas out of a total nonmetro labor age population (16 years or older) of some 48 million. One-third of the labor age group lived in poverty areas.[10] Over the past year, nonmetro poverty areas experienced both a substantial increase in joblessness and a decline in participation rates. The jobless rate for nonmetro poverty areas rose to 8.5 percent (not seasonally adjusted) in the second quarter of 1975 from 4.9 percent a year earlier. About 2.3 million people in the total nonmetro labor force were unemployed (8.3 percent), of which 811,000 lived in poverty areas.

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[8] Guide to the Rural Development Act of 1972, Committee on Agriculture and Forestry, United States Senate (December 10, 1973), p. 47.

[9] Rural Development Goals, *op. cit.*, p. 1. Emphasis added.

Census Bureau surveys reveal that the median income in 1974 of families in metropolitan areas was about 25 percent greater than the median income received by families in nonmetro areas—$13,771 versus $11,045. While this remains a significant income gap, figures show that it has been narrowing steadily since 1970 in terms of median income. In 1970, metropolitan median incomes were 29 percent greater than those in nonmetro areas. In 1972 they were 26 percent greater and in 1974 they fell to just under 25 percent more than those in nonmetro areas. In dollar terms, metro median incomes rose more over the five-year period than did nonmetro incomes ($3,491 versus $3,063). But 1974 nonmetro incomes increased at a greater rate (38.4 percent over 1969) than those in metro areas (34 percent).

When metro-nonmetro incomes are compared in terms of median family incomes, nonmetropolitan areas appear to be steadily closing the gap. However, a recent USDA study that makes comparisons in terms of per capita personal income implies that the gap is not narrowing, but has widened in favor of metropolitan counties. This discrepancy that appears when different measures of income are used makes it difficult to determine whether or not the relative economic situation of rural Americans is actually improving. Since the goals report gives little indication of this, a comprehensive study of such discrepancies is in order, perhaps by the USDA's Economic Research Service, to provide the needed clarification.

Such figures indicate that a substantial gap in income and employment opportunities does exist between metro and nometro areas. The report states that ". . . it would seem that the stabilization of rural population follows from job creation sufficient to absorb natural increase in the male work force." Recent population studies show that the long outmigration from rural America is slowing and in some areas has been reversed. Between 1970 and 1973, population growth of nonmetro counties was faster than that of metro areas. While nonmetro counties adjacent to metropolitan areas experienced the largest relative gains in population, even more remote counties outpaced metro countries. Whether the recent faster rural growth rates continue into a long-term trend may now depend on how much support is given to rural job creation. The goals report is silent on the issue but questions whether a stabilized or increasing rural population would necessarily be in the "national interest."

In the absence of sufficient and reliable data on rural income and job needs and with a policy direction yet to be determined, the report explains that "the setting of realistic rural income and employment goals [is] most elusive. Thus, quantification of these goals for FY 1975 is confined to the job-producing expectations associated with funding levels anticipated for Title I of the Rural Development Act." From the assumption that a $20,000 busines investment creates one job, the report projects that from 12,000 to 15,000 new jobs can be generated by the $300 million available to FmHA for business and industrial loans in fiscal 1975. (The actual amount appropriated by Congress for such loans in fiscal 1975 was $350 million.) Other federally-generated jobs are expected to result from $600 million in funds for public facilities authorized under Title I of the Rural Development Act. The report declines to estimate how many long-term jobs might be created by the operation and maintenance of the facilities, but estimates that 35,000 to 42,000 man-years of work will be required for their construction. (Actual amounts appropriated for fiscal 1975 came to $820 million for community facility loans and water and waste disposal loans and grants.)

It is difficult to determine how accurate the report's estimates may be as to the number of jobs that can be generated by federal funds. Part of the problem is the inherent difficulty of calculating such estimates. It would have been informative if the report had provided similar estimates of how many jobs resulted from funding levels of past years.

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[10] Poverty areas are defined by BLS and the Census Bureau as those areas in which 20 percent or more of the population were living in households with incomes below the poverty level, based on surveys of the 1970 Census. (The poverty income cutoff used in the 1970 Census was $3,743. In 1974 it was $5,038. "Poverty areas" will not be redesignated until the 1980 Census.)

Although estimates are given for the number of jobs generated under the Rural Development Act, no estimates are given for the job-generating potential of other federal programs of similar size and type that also operate on significant levels in rural areas. These include Environmental Protection Agency construction grants for waste water treatment works, the Commerce Department's Economic Development Administration loans and grants for public works and business development. Appalachian development programs. Transportation Department construction programs, HUD community development block grants and loans, and the Treasury Department's general revenue sharing funds. Appropriations available for obligation in nonmetro areas under these programs in fiscal 1975 amounted to about $1.2 billion, not including Transportation or general revenue sharing funds.

Job opportunities in rural areas have been greatly affected by advances in farming technology and changes in the structure of agriculture. Mechanization and agribusiness have led to shrinking employment opportunities, forcing millions of farm laborers and small farmers to seek nonfarm jobs. From 1960 to 1970 seasonal farm labor requirements diminished by an estimated 30 percent. Many of those who lose their jobs and must find new nonfarm employment often do not possess the necessary skills to make this transition. Federally-funded manpower training programs are specifically designed to provide these needed job skills. In fact, the three goals that the report lists as necessary for improving rural employment—higher skill levels, an upgraded mix of jobs, and higher labor force participation rates—could be attained with the help of such tools as the rural manpower training programs. Yet the role of these programs is barely mentioned in the goals report, aside from such related but smaller programs as reseach and education authorized under the Rural Development Act.

Manpower programs and services that operate in rural areas are monitored by the Department of Labor's Rural Manpower Service. Services offered include job development, training, counseling and placement. Programs that have operated in rural areas on significant levels include Public Service Careers, On the Job Training, Neighborhood Youth Corps, Concentrated Employment Program, Operation mainstream, JOBS, Concentrated Services in Training and Education, National Migrant Worker Program and the Work Incentive Program. For those programs for which an urban/rural data breakdown was available, it has been estimated for fiscal 1972 that the new rural enrollment in the manpower training programs numbered 323,600, or 21 percent of the total enrollment in the nation. Funds obligated for rural enrollees were estimated at $322 million. More recent data on the accomplishments of manpower programs in rural areas are not readily available. The Rural Manpower Service had been compiling such data until 1973 when, with the passage of the Comprehensive Employment and Training Act, more management responsibility for these programs and for Manpower Revenue Sharing was delegated to State and local governments.

Manpower training programs operating in nonmetro areas have faced a number of problems, but have also, in some cases, had a positive impact. Most major programs appear to be designed mainly for urban residents, such as the JOBS program, leading many to believe that rural America receives a disproportionately low share of Federal manpower development and training funds. This may be partly due to the lack of adequate jobs available in rural areas to justify the expenditure of more training funds. Training people for jobs that do not exist locally can lead not only to frustration but to further depletion of rural manpower resources when trained graduates must move to urban areas for jobs. Apart from the question of effectiveness, it is also more difficult for manpower programs to serve rural areas when the population to be served is small and dispersed over a large area. Another major problem that may be a factor in the low allocation of manpower funds to rural areas is the lack of knowledge on the part of some local rural officials as to what assistance is available, and the inbility of some rural areas to submit qualifying plans and projects perhaps because of the lack of trained personnel.

Manpower programs that appear to have had the most favorable impact in rural areas are often those that are used to create jobs that, although temporary, offer real rather than "make-work" employment. Examples include Operation Mainstream and the Public Employment Program. The problem of serving large areas with small populations has been approached with the development of experimental, innovative programs specifically designed for such areas, such as the Area Concept Expansion (ACE) program, Concentrated Services in Training and Education, and the Smaller Communities Program. These programs can help to prepare individuals for existing jobs, thus alleviating outmigration, while also contributing toward the development of a well-trained workforce which will help to attract the new industry that is vital to rural development.

Rural employment and income goals may indeed be difficult to quantify, involving as they do a complex of economic and social factors. Yet the report neglects a number of areas that deserve attention: the magnitude of the problem; the question of policy toward rural growth; the actual job-generating impact of many other Federal programs; the role of available tools such as manpower training programs; and the actual prospects for attaining balanced objectives through reliance on the investment initiatives of the private sector.

LIBRARY OF CONGRESS

Memorandum to: Morton J. Schussheim, Senior Specialist in Housing.
From: Pauline Smale, Economics Division.
Subject: Rural Goals Report: Credit Requirements.
Date: July 29, 1975.

The Second Annual Report of the Secretary of Agriculture on Rural Development Goals sets forth goals or targets for certain programs funded under the Rural Development Act of 1972. This memo discusses the report's significance to the issue of rural credit needs.

The report focuses on the difficulty of organizing and implementing a national program to accomplish local goals. This requires the Federal system to be very flexible because the problems and targets of rural or nonmetropolitan areas vary so greatly. Credit needs are a prime example. Individual community requirements for funds are dependent on many and often diverse factors. For example, funds could be needed to start a small business or industry or capital could be required for farm improvements or new machinery.

Aside from the diverse nature of capital needs, a major problem is the economic principle that suppliers of credit seek the highest rate of return. Unless these rural projects can present a profit comparable to other projects, it will be difficult to direct or attract private funds to rural concerns. Most of the programs discussed in the report are dependent on government-related funds or grants. Public funds can be more easily directed, but it is still difficult to channel congressional appropriations to projects filling public need versus those with a more visible yield. Thus, a basic question is the trade-off between economically feasible or attractive projects and social goals.

The report suggests a strategy of "goal-setting programs." Participants in the effort would be representatives from State, local and Federal levels of government. They would attempt to identify problems and develop realistic approaches to solve them. Finally, they would decide which level of government should be responsible for carrying out the solution. Responsibility would depend on many factors; for example: the source of program funding, the level having administrative control, proximity to implementation and commonality of objectives across jurisdictions. The credit needs of rural areas because of their diverse nature can best be handled at the local level. But while the focus would be at the local level, coordination and cooperation with national and statewide government and private financial institutions and agencies are essential. This is an easy formula to postulate; it is not a simple one to implement. The United States Department of Agriculture has the lead responsibility for coordinating Federal programs designed to promote rural development. The report's main emphasis is on USDA projects, which suggests the difficulty of inter-agency cooperation. The report discusses the problem of even identifying the effect of public programs scattered through the many departments, agencies and commissions of the government. USDA is attempting to deal with this problem of organization but the results are still very tentative. With respect to the private sector, the coordination problem is further complicated by the usual efforts of private firms and investors to seek a competitive edge and to maximize profits.

The report states that a major problem with the comprehensive national rural development effort under the Rural Development Act has been a lack of effective and interested local leadership. The "goal-setting program" approach could serve to spark and organize local interest into an effective, working group. With respect to rural credit needs, local leadership can exercise a large role in identifying problems and collecting information needed to formulate goals and programs. Local interest, leadership and organization are essential ingredients of an effective effort to enlarge rural credit resources.

The report briefly deals directly with the issue of rural credit needs. Credit needs of rural or nonmetropolitan areas can be served by both the public and private sectors. The report states that public assistance should serve to stimulate and complement investment by the private sector. The private, profit-oriented, financial institutions will need a financially sound reason or motive to direct funds into these areas. A balance has to be kept between needs and resources. Also, financial institutions must be made aware of the existing needs. Again cooperation between community level institutions and governments and national or statewide institutions and governments would be important.

The report presents five qualitative goals and selective quantitative goal statements, keyed to the funds available under the various authorities of the Act for fiscal year 1975. Specifically it stated that . . .

> In this report quantitative goal statements or targets have been stated for selected Department of Agriculture (USDA) programs funded under the Rural Development Act of 1972 and other rural development programs. These goals or targets are based on budgets and projections of the agencies responsible for the programs. They are presented with the above consideration as a limitation.[11]

Thus, there is no detailed discussion of the role the private financial sector currently plays or what the role of private financial institutions will be over the next decade.

LIBRARY OF CONGRESS

Memorandum to: Morton J. Schussheim, Senior Specialist in Housing.
From: Philip Winters, Economic Analyst.
Subject: Rural Development Report: Community Facilities.
Date: August 18, 1975.

For community facilities, the report mentions quantitative goals for FY 1975 in the areas of communications (telephones), electric power, water and waste systems, health systems, transportation, and other facilities.

The goal estimates are based on the number of applications for grants and loans received, the size of the budget and surveys to determine the number of people that will be served by the proposed projects. For a community to apply for a facility loan or grant, it must first submit a preapplication to the county or local FmHA office. With this preapplication, the local FmHA office determines whether the community is eligible to apply for a grant or loan. If this is determined in the positive, the community files an application with the state FmHA office. There the application is approved or disapproved depending on need, funding levels, and the state of planning for the project at the local level. If the plan is approved, the work can start quickly or not for up to three years, depending on the status of the project, that is, how much preliminary work has already been done.

The loans for these projects can be repaid in a variety of ways. These include almost any type of guaranteed levy on the community; bonds, taxes, or user charges; it will depend somewhat on what is allowed by State law.

The report also provides backgrounds or histories on Federal involvement in community facility projects over the years. Future goal reports are to contain more policy backgrounds covering a wider variety of community facilities.

The report lacks an in-depth analysis of what the Federal government is trying to accomplish with these programs, whether the programs are working, and most importantly whether this is a proper area for Federal involvement.

Other questions remain unanswered and need to be investigated. One is whether there is a large backlog (or potential backlog) of applications for community facility grants and loans. Another is what are the criteria of "need" in a community's application for these grants and loans? And what is the breakdown between new and improved facilities that receive funding? Is the program subsidizing improved facilities when some communities still have none at all? These are questions that can and should be answered.

LIBRARY OF CONGRESS

Memorandum to: Mort Schussheim, Senior Specialist in Housing.
From: Herman E. Schmidt.
Date: July 25, 1975.
Subject: Critique of Health Elements Contained in the Document Entitled Rural Development Goals, Second Annual Report of the Secretary of Agriculture to the Congress.

There is relatively little discussion of health in the report. The report states that quantitative goal statements or targets have been stated for selected Department of Agriculture (USDA) programs funded under the Rural Development Act of 1972 and other rural development programs. Although the statement is ambiguous, it is assumed that Department of Health, Education, and Welfare and Veterans Administration programs, which are the major sources of health resources for rural areas, are excluded. Total health outlays for rural areas probably exceed five billion dollars a year, the major share being spent for beneficiaries of the Medicare and Medicaid programs. The principal weakness of the report so far as health outlays are concerned, therefore, is that it reports on less than three percent of total Federal health outlays for rural areas.

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[11] "Rural Development Goals-Second Annual Report of the Secretary of Agriculture to the Congress." Department of Agriculture. June 26, 1975. p. [illegible]

Regarding the general statement on health services goals contained on page twelve, it is agreed that there is a severe lack of adequate health services for rural areas. The specific goal overstates the need for specialists versus primary care doctors, since specialists probably are best utilized for referrals and are best situated in larger population centers. The statement "solutions to health care deficiency in rural America remain to be proven by research and pilot experiments for large scale solutions" is questionable. It would appear that we now have a sufficient understanding of the problems of delivering care to rural areas as well as the ability to deal with them. With sufficient commitment and funding, therefore, there would appear to be a reasonably good chance of dealing effectively with health services shortages in rural areas. Although such an effort would have to be carefully planned and staged, additional studies and demonstrations would appear to have limited utility.

The health services goals might be restated to focus more on implementation of a program to move health resources into rural areas. It would appear, in addition, that it would be possible to quantify such goals based on fairly realistic assumptions.

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Memorandum to: Morton J. Schussheim.
From: Education and Public Welfare Division.
Date: August 1, 1975.
Subject: Second Annual Rural Development Goals Report, June 26, 1975: Education.

Education is not one of the five major goal areas spelled out by the Congress in the Rural Development Act of 1972. However, education can be considered directly linked to three of the five goals—employment, income, and community services and facilities—and there are indirect ties with the remaining two goal areas of population and housing. Furthermore, the Secretary of Agriculture is directed by the Act to advise the President, the Cabinet, and the Congress on policies and programs to improve the quality of rural life, and it could generally be expected that the quality of rural education would play some part in this advise. It may therefore be disappointing to some people to see education treated so lightly in the Second Annual Rural Development Goals Report by the Secretary of Agriculture.

Educational scholars and researchers have given considerably less attention to the special problems of rural education than they have to the problems of disadvantaged youth, such as racial and ethnic minorities and children from low-income families, to the problems of equal educational opportunity and to the problems of fiscal equity in the schools. Even though these problems and conditions often overlap with the problems of rural education, the emphasis on both research and discussion has usually been placed on education in metropolitan areas and large city school systems. The Rural Goals Report might well have been a forum for noting this imbalance and for suggesting policies and programs to study and then attempt to correct the special problems of rural education.

Besides the obvious importance of educational policies to rural income and employment goals, education might have been mentioned in the Rural Goals Report because of some of the few facts we do know about the area. First, the National Assessment of Educational Progress has consistently found that rural youth of all ages as a group have the lowest scores—with the exception of inner city youth—of any group tested on a wide range of subjects. This alone should indicate that a serious problem exists for rural education. Second, we know that illiteracy rates are highest among the poor, and that rural America has a large proportion of families in poverty. Third, we know that school districts in sparsely-populated areas have special financial and administrative problems, and that these districts are predominately rural. It would seem unlikely that any program to encourage rural development could progress very far without at least addressing these problems. It may well be that items suggested in the Rural Goals Report such as 1,400 professional man-years of direct assistance by the Extension

Service or 10,000 rural housing units should have higher priority in rural development than basic educational services, but if that is the case, it would have been helpful to the discussion to present the reasons for the priorities rather than generally to slight rural educational problems.

PAUL IRWIN.

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Memorandum to: Mr. Morton J. Schussheim, Senior Specialist in Housing.
From: Richard L. Wellons, Research Assistant in Housing.
Date: July 31, 1975.
Subject: Rural Development Goals Report—Rural Housing Goals.

The housing goal is stated in terms of FmHA production levels to be reached in fiscal 1975. About 100,000 units are to be constructed or renovated. At least 40,000 of these will involve existing units, and 50,000 will be for low-income families. Actual production figures for all but the last month of fiscal 1975 show that these goals have already been reached. The 10,000 unit annual level was also surpassed in each of the preceding four fiscal years.

It is not explained in the report why the specific level of 100,000 units was set as a goal, nor how the proportions for existing and low-income units were arrived at. It is conceded that the targets are based on budget appropriations and that the goals are established under this limitation. As such, the goals that are "established" represent little more than budget allocations with low-income proportions already stipulated under Congressional guidelines. (It should be noted that "low-income" refers here to families who can support a loan at 1 percent interest—generally families with incomes over $5,000.)

Production levels set as goals are apparently not correlated with levels of rural housing need. The report cites the 1970 Census estimate of 3.1 million substandard housing units (dilapidated or without plumbing) that are located in areas served by FmHA programs, but does not indicate how, or even whether, FmHA programs can alleviate this problem. No long range goals are set, only a unit level for fiscal 1975 that has already been met. The report states that "... when compared to need, the level of housing assistance that the Government can afford is small with the limited resources available." To utilize most effectively its limited resources FmHA intends to place more emphasis on programs for existing and rehabilitated units, thereby upgrading more housing at lower per-unit costs. But the report provides no indication of what the prospects are for such a policy. There are no estimates of how many existing units could be brought up to standard through rehabilitation, of how many vacant or abandoned units exist, of where they are located, or of how goals for existing housing correlate to needs. In fact, a report prepared by the USDA in February 1975 entitled "Vacant Housing—Is It Adequate and in the Right Places?" indicates that there are few adequate vacant units (about 174,000) located in nonmetro counties having the worst housing.

An example is cited in the report of "perhaps the most dire rural housing situation"—that of the Alaskan native population, where some 8,000 out of 11,000 units were found to be substandard. Yet it is not explained how this single example is to be dealt with, let alone how FmHA goals relate to the other 3.1 million substandard units throughout the nation.

There is no indication of how increased responsibilities of FmHA might affect future goals. The Housing and Community Development Act of 1974 expanded FmHA housing areas by redefining eligible rural areas to include nonmetropolitan places with populations from 10,000 to 20,000 that have a serious lack of mortgage credit availability. The report states that this increased the number of substandard units in FmHA areas by about 160,000, but does not explain how this estimate was made. Population data based on the 1970 Census show that expanding eligible areas to places of up to 20,000 increases the number of people in FmHA areas by 50 percent, from 32 million to 48 million. The FmHA Administrator has stated in hearings before the House Appropriations Subcommittee earlier this year that FmHA rural areas will be expanded to about 434 additional communities, and anticipated a determination by HUD that a serious lack of mortgage credit exists in many of them. Such an expansion should greatly increase the rural housing responsibilities of FmHA. Yet no mention is made in the report of plans or goals to deal with future problems. There are no estimates of additional funding amounts that would be necessary; of how many more field personnel would be required to handle increased demand; of which programs might best serve the new areas; or even whether FmHA policies intend to make use of authorized but neglected programs such as farm labor housing loans and grants, self-help technical assistance programs and the rural rent supplement program. (The farm labor housing and self-help programs operated at low levels of activity in fiscal 1975. FmHA has not requested funds for any of the three programs for fiscal year 1976.)

In conceding that FmHA rural housing goals are modest when compared to need, the report cites a major theme of Federal policy toward rural housing by stating that "housing in the quantities required can be supplied only by encouraging private enterprise to build housing.

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CONGRESSIONAL RESEARCH SERVICE,
Washington, D.C., July 30, 1975.

TREATMENT OF ENVIRONMENTAL CONCERNS IN THE RURAL DEVELOPMENT GOALS REPORT OF 1975

(By Susan R. Abbasi, analyst, Environmental Policy Division)

Environmental concerns are not discussed at all in the first section of the rural development goals report, which deals specifically with goal formulation and strategies. However, this is so despite the fact that in the following section, which reviews "USDA Rural Development Activities in 1974," a major share of the programs described deal with environmental improvement activities.

Thus, although the implementation of rural development goals has involved in large part programs which deal with environmental activities such as water resource improvement, wildlife conservation, pollution abatement, forestry activities, watershed improvement, waste disposal, and others, environmental improvement per se is not mentioned at any point during discussion of rural development goals.

This is particularly unfortunate, since the multiplicity of programs described by USDA that involve environmental purposes reveal significant fragmentation; and coordinated direction in the form of articulated environmental goals would be especially beneficial in the face of this fragmentation. All of the social goals articulated in the mandate for the report—employment, income, population, housing, and community services—involve some degree of environmental consequences. In view of the heavy emphasis on environmental programs to achieve the rural development goals, it would seem preferable to articulate a policy for the interaction of environmental considerations with the social goals. This is especially true in view of the fact that pursuit of admirable employment, investment, housing and community service goals can bring about quite adverse environmental side-effects if they are not planned with the objective of minimizing these consequences. Thus the incorporation of at least a minimal statement of environmental quality considerations could be considered beneficial in order to encourage necessary planning to include these considerations in the initial stages of implementation of the other social goals.

The implementation of the environmental impact statement mandate of the National Environmental Policy Act is not discussed at any point in the report, although a large number of USDA programs described in the report would require such a statement. And even the implementation of the environmental impact statement requirement cannot be considered to effectively take environmental considerations into account. Without additional emphasis, environmental goals will not be achieved by an environmental statement, which experience has shown can be reduced to a procedural process quite empty of substantive impact.

There are several specific areas of discussion in the report where environmental concerns might beneficially be considered:

On p. 2, in the general discussion of rural development goals, as discussed above;

On p. 3, the statement is made that "the multiplicity of Federal programs concerning rural and nonmetropolitan conditions make it difficult to aggregate Federal investments into functional, results-oriented national goal statements." It is in this multiplicity that the implementation of many individual, uncoordinated programs results in cumulative environmental consequences that are unforeseen. It is important to guard against such adverse side-effects whenever possible—and a stated objective to that effect would be helpful.

On p. 5, the report indicates that rural development goals in the report are derived from review of current legislative provisions; yet the explicit national policy set forth in the National Environmental Policy Act provides for preservation of environmental quality in all Federal programs, and this goal, although of particular importance in development programs, is not mentioned among the goals of the report.

On p. 7, in the discussion of investment objectives, jobs are the only beneficial result envisioned; yet there are long-term benefits to the community from guiding business investment into environmentally sound channels.

On p. 8, among population goals it is acknowledged that a key consideration should be land use planning. The report states, "conservation and improvement of national agricultural production capacity, as a resource of key significance to domestic and international well-being, should be integrated with population and developmental policies whether they be urban or rural." The report does not outline any strategy for integrating land use planning into rural development goals, however, and goes no further than this statement in discussing its importance. In addition, land use planning is advocated only with respect to population distribution, although it could certainly be a focal point for decisions on housing and investment policies.

On p. 10, it is acknowledged that it is an assumption of the report that basic community services such as waste disposal systems, electric power, and water programs, go hand-in-hand with the desired economic development. Yet it is not discussed as a goal of this development that such facilities be planned in a coordinated, environmentally sound, and comprehensive manner. Such coordination is certainly desirable, and could be articulated as a focus for the rural development school programs which train local leaders to work toward enhancing the development potential of their areas.

On p. 14, the absence of environmental emphasis is evidenced by the discussion of new communities as part of a rural growth strategy. The questions to be asked in connection with such communities, the report indicates, concern their geographic location, population mix, and economic characteristics. The report is silent on the question of environmental effects on the area in question, effects on the watershed area, pollution effects, and other environmental impacts on the surroundnig area.

On p. 15, under "Characteristics of Goals," rural development objectives are described as relevant to contemporary or long-range needs, socially acceptable, and consistent across programs. It would seem that protection of the environment would be a particularly relevant stated goal here, since it is in the process of development that the neglect of environmental protection has had most deleterious effects.

SUMMARY

In short, environmental concerns in the rural development goals report are treated lightly.

As noted above, the programs to achieve development and facilitate effective growth in rural areas involve activities which have profound effects on the environment.

It is particularly important in any development-oriented program, or set of programs, to deal squarely with environmental consequences; yet this has been the weak point in most economic/industrial/developmental efforts of our past. Thus substantial concern is voiced when the Federal Government fails to provide environmental leadership in dealing with goal-setting for the development of relatively undeveloped sections of the country.

As pointed out in the report, over-all goals are not well-articulated nationally for any of the subject areas dealt with in the discussion. Yet the coordination of some awareness of cumulative environmental consequences of scattered programs such as those that exist is especially important. It is exactly in the face of such fragmentation that adverse environmental side-effects become special, unforeseen problems.

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Memorandum to: Morton J. Schussheim, Senior Specialist in Housing.
From: Sandra S. Osbourn, Analyst in American National Government.
Date: August 7, 1975.
Subject: Rural Goals Report: Population.

Five years ago, the Congress used the Housing and Urban Development Act of 1970 (P.L. 91-609) and the Agricultural Act of 1970 (P.L. 91-524) to spell out a national goal with regard to the distribution of population in the United States. This goal is to establish a sound balance between rural and urban America by favoring those patterns of urbanization and economic development and stabilization which will afford the greatest choice as to the location of residences and will encourage the wise and balanced use of physical and human resources in large and small urban areas. Another element of this goal is to foster the continued economic strength of all parts of the United States, including smaller communities and rural areas, in order to help reverse trends of migration and physical growth which reinforce disparities among States, regions, and cities.

These goals were set in response to increasing dissatisfaction with prevailing migration and settlement patterns which resulted in more and more persons crowding into large metropolitan areas while rural areas and small towns were being drained of the population and resources necessary to keep them alive. There were many reasons for this migration, which has been called "the largest movement of people ever to take place within a single nation in the history of mankind." Perhaps the most significant reason was that people simply had no choice but to move into large urban areas if they were to find good jobs and access to high quality public services which were available only in the larger cities. The primary objective of the legislation in seeking to establish a sound balance between rural and urban America is to provide those migrants who have been "voting with their feet" with a wider choice of settlement possibilities.

The Congress found that Federal programs affect the location of population, economic growth, and the character of community development; and, further, that these programs frequently conflict and result in undesirable and costly patterns of development which adversely affect the environment and waste natural resources. Consequently, the Congress urged that future Federal policies and programs should be interrelated and coordinated within a system of orderly development and established priorities consistent with the objective of achieving a more desirable settlement pattern.

The Second Annual Report on Rural Development Goals takes note of this population goal, and observes that the attainment of the goal "will depend on the availability of jobs, incomes, housing, community services and facilities, life style preferences, and other variables." This goes without saying, as the whole intent of the Congressionally stated goal of achieving urban and rural balance is to bring the full force of the Federal government to bear in an orchestrated effort to make available jobs, incomes, housing, and community services and facilities in small towns and rural areas as well as in large urban centers.

As the report notes, recent statistics show that rural outmigration has not only slowed, but in some areas has reversed. For the first time in the 20th century, nonmetropolitan areas are growing faster than metropolitan areas. Furthermore, while 1,300 nonmetropolitan counties were losing population during the nineteen-sixties, less than half that number—600—were still losing population during the 1970–1973 period. This turn-around has been attributed to several changes in American life, including decentralization of manufacturing, the growth of recreation and retirement areas beyond the traditional "sun-belt," earlier retirement with better pay for many people, growth stimulated by colleges and universities in nonmetropolitan places, a leveling off of the loss of farm population, an improved rural economy, the environmental movement, new attitudes among young people, and a narrowing of the traditional gap in rural-urban lifestyles. The goals report indicates that the urban-rural migration pattern varies from region to region, and is affected by various economic factors—e.g., the resurgence of coal mining in southern Appalachia, increasing participation in nonfarm economic growth in the Southern Coastal Plains region, and a traditional, almost entirely agriculturally-based economy in the Northern Great Plains and Western Corn Belt with little foreseeable change. Clearly, any national policy regarding population settlement will have to take these regional differences into account. But this diversity does not preclude the establishment of broad population settlement goals with implementing policies and programs flexible enough to adapt to the needs of different regions at different times under changing circumstances.

The reversal of the migration patterns which have prevailed for so many years does not necessarily mean that the national goal of establishing a sound balance between urban and rural America has been achieved, and that the Federal government can simply sit back and watch the development of new settlement patterns. As the report notes, the overall goal is to achieve urban and rural population balance "consistent with the overall national goal for quality of life and economic health." It is essential that developing communities and growing rural areas not repeat the mistakes made by older urban areas which grew on an unplanned, haphazard basis. Some provision must be made if people moving to smaller communities and rural areas in search of a certain quality of life are not, by their very number and demand for supporting services, to destroy that quality of life. The report comments on this, with specific reference to the implications for land use, and observes that "Conservation and improvement of national agricultural production capacity, as a resouce of key significance to domestic and international well-being, should be integrated with population and developmental policies whether they be urban or rural." It is impossible to quarrel with this statement, but no suggestions are made for resolving the problem.

It is not enough for the Federal government to simply monitor and record shifts of population, although this is certainly an essential element in developing and implementing population goals. Nor can the Federal government sit back and leave policy development entirely in the hands of States and local communities, if only because it is itself a factor in the location of population. For example, a report prepared for the Colorado Rural Development Commission in 1973 set the following goals for Colorado's nonmetropolitan regions:

(1) To counter economic decline and foster growth to the extent desirable and affordable.

(2) To limit locally unacceptable rates of growth, or that growth which fails to cover its public and social costs.

(3) To assure governmental capabilities at all levels to deal with decline and growth.

(4) To preserve choice among life styles, including maintenance of existing rural and small town ways of life.

The authors developed a hierarchy of policies and objectives to implement these goals, but noted the following limitation on their efforts: "The Objectives should also respond to Federal rural development policies and programs affecting Colorado and its regions; but this will only be possible when Federal policies and programs are formed and clarified."[12] It seems unlikely that a persual of the Second Annual Report on Rural Development Goals will leave policymakers in Colorado or anywhere else any wiser as to the future direction of the Federal Government's role in encouraging sound settlement patterns. One might reason from this report that there will be no policy of leadership, but rather a continuation of a pattern of responding to the crises and dislocations created by population changes.

Senator BENTSEN. I asssume Congressman Smith is still over on the House side attending to the vote.

With that in mind, we will proceed.

In our panel we have Robert Partridge, vice president of the National Rural Electric Cooperative Association; Paul Noll, research director, Housing Assistance Council; Ms. Mary Walker, National Rural Center; and David A. Witts, attorney at law, Texas Southwestern Cattleraisers.

You have come a long way and we are anxious to hear what you have to say, so please begin as our first witness.

Ms. Walker, you have come a long way and we are anxious to hear what you have to say, so please begin as our first witness.

I also would appreciate each of you holding your testimony to 10 minutes. We will place your prepared statements in the printed record. That will give us more time for questions and answers.

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[12] U.S. Congress. Senate. Committee on Agriculture and Forestry. Getting a Handle on Rural Development: The Colorado Approach; Policy Analysis for Rural Development and Growth Management in Colorado. (Committee Print), Washington, U.S. Govt. Print. Off., 1973. p. 9.

STATEMENT OF MARY WALKER, CONSULTANT, NATIONAL RURAL CENTER, AUSTIN, TEX.

Ms. **Walker.** Thank you, Senator, for the opportunity to testify.

Senator **Bentsen.** Ms. Walker, please pull your microphone up closer to you. Thank you.

Ms. **Walker.** My name is Mary Walker. I am the policy development consultant in Austin, Tex. for the National Rural Center.

The National Rural Center is an independent, nonprofit, nonmembership organization which provides research and technical assistance to rural people and their communities. Another purpose of the National Rural Center is to try to assume that Federal policy reflects the needs of rural Americans.

There exists in the minds of urban. Americans the myth that rural life is especially healthy. In fact, mental and physical health of rural Americans is markedly worse than that of urban Americans. If health is defined in terms of environmental, physical, and social factors, it is inaccurate to say that rural residents are receiving health care. Rural residents do have some access to medical care. But even this is often limited by poverty, lack of health insurance, or coverage under public programs, cultural barriers, racial discrimination and limited education. Yet, few things are of as much concern to rural Americans as access to health care.

Thirty percent of the U.S. population is rural. This population is poor, less educated, suffers longer from illness, and dies at younger ages than urban residents.

In certain rural areas, infant mortality rates are more than 70 percent above the national average. The 20 percent of the women of child-bearing age who live in rural areas account for half of the maternal deaths in the United States.

Deaths from accidents are four times more frequent in rural areas than in urban areas. The rural resident is more likely to suffer from a chronic condition than his urban counterpart.

Furthermore, because of the lack of primary health care services, rural residents are more likely to suffer from preventable conditions which often become chronic. Emergency services are scarce and mental health services are nonexistent in rural areas.

Medicare and medicaid do not serve rural people as well as urban residents. A few examples illustrate the problem. Nationally, fees paid to rural physicians under medicare average 60 percent of those paid to urban physicians, yet, data shows that the cost of practice in many rural areas is higher than a comparable practice in a large metropolitan area.

Over 28 percent of medicare funds are spent in rural areas, yet 38 percent of the elderly live in these areas.

Less than 30 percent of medicaid funds go to the nonmetropolitan areas even though half of the poor live in such areas.

An examination of the programs reveals the reasons for these discrepancies.

Understanding those reasons is critical to correcting existing shortcomings, as well as avoiding similar problems in the future.

Medicare discriminates against rural people for these reasons:

First, physician reimbursement rates under medicare are based on the usual and customary fees that were charged in the area prior to the medicare program.

Rural physicians traditionally have charged lower fees for a variety of reasons, not necessarily related to the cost of practice.

Second, medicare is only a financing program and does not function where no recognized delivery system exists. The only qualified provider for covered part B physician services under medicare is a physician. Hence, in areas where there is no physician, medicare coverage cannot benefit those eligible.

This problem is particularly acute in rural areas where the supply of physicians is so drastically inadequate.

Third, there is no reimbursement under medicare for care provided by a nurse practitioner or a physician assistant.

Small primary care clinics staffed by an NP or PA with the part-time, backup supervision of a physician are becoming more and more common in rural areas where populations are too sparse to attract or economically support a physician.

The medicaid program discriminates against rural people for these reasons:

To be eligible for medicaid, a person must, for the most part, be categorically eligible for welfare; that is, be aged, blind, disabled, or a member of a female-headed household.

Unlike the urban poor, the great majority of rural family members, about 70 percent, live in two-parent households and are thus automatically ineligible for assistance under medicaid.

In contrast, 39 percent of central city families live in households headed by one parent.

Since medicaid is a State-administered program, States are given considerable latitude in determining range of services, reimbursement rates, eligible providers, and eligible recipients.

About 35 million rural residents live in areas where there is a shortage of either physicians or other health professionals.

There is an estimated need in critical shortage areas for 3,000 health practitioners. When noncritical shortage areas are considered, over 20,000 practitioners are needed.

In view of this need, the National Health Service Corps, with a field staff of 601 in 1976, can hardly be identified as the solution to rural health manpower distribution problems.

In 1975, with funds of $10.6 million, 47 RHI and 9 HURA projects were funded. The budget for 1977 is $44.7 million, with a projection of 320 funded projects.

Presently, 191 ongoing projects of which at least half are NHSC sites, provide primary care to 459 rural counties. The size of the effort is placed in perspective by the fact that in 1976 there were 1,888 counties designated medically underserved.

There is little money available through RHI for planning grants or for the technical assistance so badly needed by rural communities.

There has been also concern that the administrative structure of RHI results in diversion of funds from programs aimed at more specific groups, such as the migrant health program.

It is important to remember that inadequate funding of rural health services is not the only impediment to the improvement of rural health care delivery.

Many other forces conspire to obstruct efforts to change or improve the health of rural Americans. These include:

First, the medical education system is not health oriented and is even just beginning to recognize the medical needs of rural Americans.

Second, the medical care delivery system places an emphasis on specialization by all types of health professionals, sophisticated technology, and hospital care.

Third, the nature of rural practice poses particular difficulties for physicians.

Fourth, existing health professionals are underutilized due to legal restrictions in many States, and third-party payor reimbursement policies.

Fifth, there is a relationship between health and environmental problems.

Sixth, racial, ethnic, and cultural barriers and discriminatory practices present a serious problem to rural residents who have few, if any, alternative sources of care.

Rural health care, its delivery and improvement, is not a problem but a series of problems. Thus, there is not a solution, but many possible alternatives.

In a study of rural health care in the South conducted by Karen Davis and Ray Marshall under the auspices of the Task Force on Southern Rural Development, several alternatives were identified:

First, primary health centers staffed by full-time primary health practioners rather than physicians.

Second, group and team practices geared to rural needs.

Third, comprehensive health centers.

Health is a critical component of both human resources and community development activities.

It is impossible for an individual in poor health to work or learn up to his or her maximum potential.

A community whose citizens suffer disproportionally from ill health provides a poor work force to attract business, and is less likely to be aggressive in developing local economic activity.

In addition, a community which has inadequate medical services may have difficulty attracting and keeping industry, employers, and professionals.

In some cases, development of an adequate health care delivery system can serve as a focus to lay the basis for economic development.

Every member of the community feels the need for health care at some time.

Illness and death know no race, socioeconomic, cultural, religious, or generational differences. Cooperation in an effort to attract and support a health care delivery system can thus be a catalyst to promote community involvement in other developmental activities.

Public policy which is designed to assist communities to manage and plan their own economic and human resource development, and meet their health needs, will ease the trauma for most rural areas.

The need for improved rural health care is evident and many new and innovative ways to seek it have been described. Policy changes are needed in the training of health professionals, in the nature of rural practice, in the content of rural health care, in the way minorities are treated, and in the way rural health care is financed.

In the training of health professionals, a greater emphasis needs to be placed on training physicians and other health professionals specifically for rural practices and admission and scholarship procedures of medical, dental, and nursing schools should be reviewed to insure that students desiring rural practice are sought and that such students are familiar with sources of financial support for education.

In order to change the nature of rural practice the following components for a rural health system are recommended—group practice should be encouraged along with nurse practitioner clinics in smaller communities.

The content of rural health care should be changed so that there is a focus on environmental health, mental health, dental care, and preventive medicine. Affirmative action in health training and Federal health programs has attracted relatively few members of minorities into the health professions.

Few minority women have been trained in the nurse practitioner training programs. Successful minority health professionals can be important in demonstrating to rural minorities what minority persons can accomplish.

The following amendments to current programs would provide much needed relief to rural residents:

First, designate a rural health center as participating providers under medicare and medicaid, with a separate reimbursement policy based on average expenditures of medicaid recipients and medicare enrollees in the State.

Second, revise the medicaid program to include low-income, two-parent families regardless of welfare or employment status.

Require all States to cover rural health center services and the medically needy; and

Third, legitimize the rural health initiative program through legislative action. This action should include separate funding for the program.

Thank you. I will be glad to answer any questions you have.

Senator BENTSEN. Ms. Walker, you did a very good job of summarizing an extensive prepared statement. Thank you.

[The prepared statement of Ms. Walker follows:]

PREPARED STATEMENT OF MARY WALKER*

It is bad enough that a man should be ignorant, for this cuts him off from the commerce of other men's minds.

It is perhaps worse that a man should be poor, for this condemns him to a life of stint and scheming, in which there is not time for dreams and no respite from weariness.

But what surely is worse is that a man is unwell, for this prevents his doing anything about his poverty, or ignorance.

George Herbert Tinley Kimble.

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*Coauthored by Ms. Alice Hersh, director of health programs, National Rural Center, Washington, D.C.

There exists in the minds of urban Americans the myth that rural life is especially healthy. In fact, the mental and physical health of rural Americans is markedly worse than that of urban Americans. If health is defined in terms of environmental, physical, mental and social factors, it is inaccurate to say that rural residents are receiving health care. Rural residents do have some access to medical care. But even this is often limited by poverty, lack of health insurance or coverage under public programs, cultural barriers, racial discrimination, and limited education. Yet few things are of as much concern to rural Americans as access to health care.

Thirty percent of the United States population is poorer, less educated, suffers longer from illnesses and dies at younger ages than urban residents.[6] In certain rural areas infant mortality rates are more than 70 percent above the national average. The 20 percent of the women of child bearing age who live in rural areas accounts for half of the maternal deaths in the United States. [8] When death rates are adjusted for age they are still higher in nonmetropolitan areas than in metropolitan areas. Deaths from accidents are four times more frequent in rural areas than in urban areas. The rural resident is more likely to suffer from a chronic condition than his urban counterpart. Furthermore, because of the lack of primary health care services, rural residents are more likely to suffer from preventable conditions which often become chronic. [1]

Rural Americans receive less medical and dental care than urban residents. A nonmetropolitan resident is 40 percent more likely to never have received such preventive services as an electrocardiogram, a chest x-ray, or a pap smear than a metropolitan resident living outside the central city. [9] (See Table 1). Emergency services are scarce and mental health services are nonexistent in rural areas.

MEDICARE, MEDICAID AND OTHER FEDERAL HEALTH CARE PROGRAMS

The past 15 years was an important period for federal health policy. During this time, Medicare and Medicaid—the public financing programs for the elderly and the poor—were enacted and implemented. The federal government became more directly involved in influencing the health delivery system through funding such programs as neighborhood health centers, family health centers, migrant health centers, maternal and child health programs and the Rural Health Initiative and Health in Underserved Rural Areas programs. And in 1974, Congress enacted the National Health Planning and Resource Development Act, which, if fully implemented and utilized, has tremendous potential for changing the distribution of health care resources in this country.

In terms of dollars spent and people served, Medicare and Medicaid are clearly the two most significant programs. Medicare spends $22 billion federal dollars annually, and covers 25 million beneficiaries. Medicaid spends $10 billion federal dollars, $8 billion state dollars and reaches 25 million people. [13]

However, a closer look at those programs shows that both Medicare and Medicaid do not serve rural people, and particularly rural Southerners, as well as urban residents. A few examples illustrate the problem.

> Nationally, fees paid to rural physicians under Medicare averaged 60 percent of those paid to urban physicians, yet data shows the cost of practice in many rural areas is higher than a comparable practice in a large metropolitan area.
>
> In 1972, the average Medicare payment for an elderly person living in a metropolitan county was $425, compared to $296 for a beneficiary residing in a non-metropolitan area.
>
> Twenty-nine percent of Part A Medicare funds and twenty-eight percent of Part B funds are spent in rural areas; yet thirty-eight percent of the elderly live in rural areas.
>
> Less than 30 percent of Medicaid funds go to the nonmetropolitan areas even though half of the poor live in such areas.[4]

An examination of the programs reveals the reasons for these discrepancies. Understanding those reasons is critical to correcting existing shortcomings, as well as avoiding similar problems in the future.

Medicare

Medicare discriminates against rural people for these reasons:

Physician reimbursement rates under Medicare are based on the usual and customary fees that were charged in the area prior to the Medicare program. Rural physicians traditionally have charged lower fees for a variety of reasons, not necessarily related to the cost of practice. In fact, there is evidence to show that practice in a non-metropolitan area is more expensive than a comparable practice in a large metropolitan area. However, due to the program's mandate to pay only "usual, customary and reasonable" fees, rural physicians are reimbursed less than their urban counterparts for the same office visit or procedure.

Medicare is only a financing program and does not function where no recognized delivery system exists. The only qualified provider for covered Part B "physician services" under Medicare is a physician. Hence, in areas where there is no physician, Medicare coverage cannot benefit those eligible. This problem is particularly acute in rural areas where the supply of physicans is so drastically inadequate. In 1975 for example, large metropolitan areas had one non-federal physician providing patient care for every 500 persons while non-metropolitan counties had a ratio of one to 2000 or 2500 people. [12]

Medicare restricts payments to those covered services provided by a physician or provided under the direct, personal supervision of the physician. There is no reimbursement under Medicare for care provided by a nurse practitioner (NP) or a physician assistant (PA) when a physician is not physically present and directly supervising the NP or PA.

Small primary care clinics staffed by an NP or PA with the part-time, back-up supervision of a physician are becoming more and more common in rural areas where populations are too sparse to attract or economically support a physician. These clinics are providing high quality health care to people who otherwise would be without adequate care. Yet, Medicare recipients receiving care in these clinics are penalized since Medicare does not recognize NP's and PA's as eligible providers.

Medicaid

The Medicaid program discriminates against rural people for these reasons:

To be eligible for Medicaid, a person must, for the most part, be categorically eligible for welfare, i.e., be aged, blind, disabled, or a member of a female-headed household. Nationally one-third of the poor—over seven million people—are not even eligible for Medicaid and many who are eligible are not receiving assistance for one reason or another. The situation is worse for rural people. Unlike the urban poor, the great majority of rural family members (about 70 percent) live in two-parent households and are thus automatically ineligible for assistance under Medicaid. In contrast, 39 percent of central city family members live in households headed by one parent. [3]

Medicaid benefits vary dramatically from one state to the next. Since Medicaid is a state-administered program, states are given considerable latitude in detrmining range of services, reimbursement rates, eligible providers, and eligible recipients.

In the South, where the majority of rural poor reside, Medicaid programs are particularly inadequate. In 1974 for example, an AFDC family in Mississippi received $210 in Medicaid benefits while a similar family in New York received $1,570. The national average was about $870. Urban-rural benefit levels also vary greatly within states. In 1973 in Kentucky, the average reimbursement for a rural person was $178 compared with $280 for an urban poor person. Additionally, only 40 percent of the rural poor were eligible for Medicaid in Kentucky compared with about 63 percent of the urban poor in that state.[8]

Under Medicaid, states have discretion whether to reimburse for services provided by nurse practitioners or physician assistants. Also, states can either reimburse the NP or PA directly, or, under the "clinic service" option, states can reimburse the clinics for NP or PA services. The great majority of states do not recognize NP's or PA's.

The National Health Planning and Resource Development Act

The National Health Planning and Resource Development Act presents a different type of problem for rural people. While the Act gives priority to the provision of primary care services for medically underserved populations, especially those located in rural or economically depressed areas, the structure created to make the Health System Agency (HSA) staffs accountable to this goal is clearly biased against the rural resident.

The Act mandates that the planning areas must have a population of at least 500,000 and no more than 3,000,000. This means that in very rural parts of the country, the health planning areas are huge. Attendance at Governing Board meetings and participation in the planning process in these large jurisdictions can be extremely difficult for many rural people. Also, rural people are often greatly outnumbered by the urban population in a given HSA and can have little influence on decisions made by a Governing Board. Furthermore, HSA's receive federal money on a per capita basis, so that HSA's in large, sparsely populated areas receive much less than those in cities, where three million people may live in a small geographical area. The problems of transportation, communication and health care delivery can cost more per capita to make these services available to a widely scattered population.

It is not yet clear how successful HSA's will be in directing medical services to underserved rural areas. What is clear is that rural people start off with significant disadvantages in attempting to insure that the goal is met.

The National Health Service Corps

About 35 million rural residents live in areas where there is a shortage of either physicians or other health professionals. [7] There is an estimated need in critical shortage areas for 3000 health practitioners. When non-critical shortage areas are considered, over 20,000 practitioners are needed. [8] In view of this need, the National Health Service Corps, with a field staff of 601 in 1976, can hardly be identified as the solution to rural health manpower distribution problem.

The NHSC was created in 1970 and relies on the "tour of duty" concept to attract professionals. In exchange for training financed by the federal government, the health professional serves a "tour of duty", usually two years, in an underserved rural area. It was hoped at the outset of the program that once physicians tried practice in a rural area, they would decide to remain to set up a private practice when the tour of duty ended. But of the 198 Corps personnel who finished their two year service obligation in October, 1976, only 13 percent had decided to remain in their assigned community. [8] In addition, there are four permanent NHSC sites in the U.S. where NHSC personnel have chosen to remain indefinitely in their assignment.

Many rural communities regard the National Health Service Corps as a tantalizing carrot on the stick, a promise just out of reach. First, there is not enough personnel to go around. Second, if a community is "lucky enough" to get a physician it will probably only be for a two year tour of duty. Third, the physician may not be replaced after a two year tour, and the community will then be left with nothing.

In addition, NHSC personnel are often inadequately prepared to cope with the specific problems and cultural differences of their assigned area. One Texas community with a NHSC physician feels that they are on the receiving end of what they call the "hostile practice of medicine". "That boy doesn't want to be here. He can't wait until he gets finished so he can go back to the big city. He has never seen a Mexican American till he came here and he isn't about to learn Spanish so he can do a better job." Many rural residents will continue to travel miles to get health care or go without rather than visit a physician who they know will be gone in two years, and who they feel does not understand their health needs or respect their values.

The provisions of the Health Professionals Educational Assistance Act of 1976 greatly expanded the Corps. The law extends the definition of health manpower shortage areas eligible to participate in the program to underserved facilities such as hospitals, state mental hospitals, rehabilitation facilities, and long term care facilities such as nursing homes and others. These eligible underserved facilities are located in both urban and rural areas, again raising the concern that rural areas will lose funding because of competition with urban interests.

Finally, the Corps has avoided placing personnel in "risky" practice sites, and rural communities whose population is predominantly poor and uneducated.

Rural Health Initiative (RHI)

The Rural Health Initiative (RHI) program was created in 1975 by the Bureau of Community Health Services in the Department of HEW. The program provides an administrative structure combining existing health resources available through several programs such as Comprehensive Health Centers, Migrant Health, the National Health Service Corps, and Health Underserved Rural Areas. The RHI program provides grants, technical assistance and some planning monies to nonprofit local organizations and groups to develop rural health care delivery systems. Priority has been given to placing projects in underserved areas. The focus of the projects is the delivery of primary care.

The Health Underserved Rural Areas (HURA) Program is funded under Title XIX (Medicaid). HURA grants have gone to stable and well established organizations on the state and county level or nonprofit institutions to facilitate the delivery of health care to the Medicaid eligible population.

RHI/HURA grants of up to $200,000 are available. Funding can be received for a total of three years, with the amount of funding decreasing the second and third year. Projects must be designed to become self-sufficient within the three year period. HURA applicants must demonstrate a financial self-sufficiency at the time of application.

In 1975, with funds of $10.6 million, forty-seven RHI and nine HURA projects were funded. The budget for 1977 is $44.7 million, with a projection of 320 funded projects. Presently, 191 ongoing projects, of which at least half are NHSC sites, provide primary care to 459 rural counties. The size of the effort is placed in perspective by the fact that in 1976 there were 1,888 counties designated medically underserved. (8)

There is little money available through RHI for planning grants or for the technical assistance so badly needed by rural communities. There has also been concern that the administrative structure of RHI results in diversion of funds from programs aimed at more specific groups, such as the Migrant Health program.

THE NEED FOR A REORIENTATION OF RURAL HEALTH CARE DELIVERY

It is important to remember that inadequate funding of rural health services is not the only impediment to the improvement of rural health care delivery. Many other forces conspire to obstruct efforts to change or improve the health of rural Americans. These include:

1. The medical education system is not health oriented and is even just beginning to recognize the medical needs of rural Americans. Medical students and residents are infrequently exposed to the practice of rural medicine, and as a result rarely select rural areas to set up their practices. Since studies have shown that medical students tend to locate their practices either in the areas where they received their training or in environments similar to those in which they were raised, the lack of students from rural areas or from minority groups further decreases the number of available physicians for rural areas.

2. The medical care delivery system places an emphasis on specialization by all types of health professionals, sophisticated technology, and hospital care. Urban areas can support these kinds of systems but rural areas cannot, In addition, urban medical care delivery systems are many times hesitant to accept patients from rural areas who may lack the resources necessary to pay for their care.

3. The nature of rural practice poses particular difficulties for physicians. The cost of a rural practice is comparable to or higher than that of an urban practice. Physicians in rural areas usually build their own offices, buy their own equipment, train their personnel and provide their own supporting services (X-ray, laboratories). They must establish linkages to secondary and tertiary care facilities. The rural physician may be on call 24 hours a day, 365 days of the year, and may have little or no colleague interaction or access to continuing education programs.

4. Existing health professionals are underutilized. Due to legal restrictions in many states, and third party payor reimbursement policies, nurses, pharmacists and physician assistants are constrained from providing needed health services.

5. There is a relationship between health and environmental problems. For example, diseases such as typhoid, dysentery, polio, urinary tract infections and infectious hepatitis can be contracted by drinking contaminated water. This occurs in rural areas where privies may be built close to wells and other water supplies. It is estimated that 20 million people using the individual water supplies often found in rural areas are drinking water which does not meet the Public Health Service's drinking water standard. [11]

6. Racial, ethnic and cultural barriers and discriminatory practices present a serious problem to rural residents who have few, if any alternative sources of care.

ALTERNATIVE APPROACHES TO RURAL HEALTH CARE

Rural health care—its delivery and improvement—is not a problem but a series of problems. Thus, there is not a solution, but many possible alternatives.

In a study of rural health care in the South conducted by Karen Davis and Ray Marshall under the auspices of the Task Force on Southern Rural Development, several alternatives were identified:

1. Primary health centers staffed by full-time primary health practitioners rather than physicians.
2. Group and team practices geared to rural needs.
3. Comprehensive health centers.

These models vary in terms of the range of services provided, personnel, and costs. However, they have several common elements which seem to improve their ability to survive and to become self-sufficient. These common elements are:

1. The community becomes involved through policy boards, boards of directors, advisory committees, fund raising activities and as employees in the health practice.
2. Services are delivered from a non-profit center or clinic based in the community.
3. The focus is on the delivery of primary health care services.
4. There is a salaried staff of health professionals.

These characteristics provide the rural health models with the ability to attract and retain health professionals, provide continuity of care and decrease the need for secondary and tertiary care referrals. A brief description of each of the three models follows.

Primary health centers

Primary health centers work well in small rural places which cannot economically support a physician or which are not attractive to physicians as practice locations. Typically, centers are nonprofit organizations formed by local community groups or by state or local governmental agencies. The centers are small-scale organizations, employing one or two primary health practitioners, a receptionist (who may also double as a laboratory technician, and a part-time physician who contracts with the center for supervision of the full-time practitioners and may also agree to see patients at the center.

The average cost of operating a two practitioner clinic is $60,000, less than total cost to a community of the average general physician's practice. At fairly modest fees ($10 to $12 per visit) the centers recover costs; they see an average of 20 to 25 patients daily. In addition to relatively low costs, the centers have been extremely successful in recruitment and retention of qualified health personnel, particularly where employees are local residents trained specifically for the center.

Group health practices

Groups and teams of health professionals appear to work successfully in larger rural communities—towns with populations of 6,000 to 20,000. The basic practice model has two or more primary care physicians working in a team with primary practitioners; some projects also employ dentists, provide laboratory and emergency facilities, and have a professional manager.

The practices, due to their relatively large staffs, can be fairly expensive; budgets run as high as $300,000 to $400,000. The group practice base and extensive use of non-physician practitioners enables financial viability through delivery of a broad range of services which bring in funds from various public sources such as Headstart, county health departments, Black Lung funds, and Medicaid.

Many of the practices, however, tend to stress medical care services and do not attempt to enlist community support and advice for other needed health care services. A notable exception is the East Kentucky Health Services Center in Hindman, Kentucky which has a non-profit group practice with a community board. Any surplus income generated by the project's services is used for other community health needs, especially environmental health. The Robert Wood Johnson Foundation is currently funding a major demonstration program to test this approach in a wide variety of rural settings.

Comprehensive health centers

Comprehensive Health Centers provide a wide range of services directed at the multiple causes of poor health which stem from poverty. In rural areas, the centers work well where poverty is a major problem in the surrounding community. The centers tend to be quite expensive—budgets run from $1 million to $3 million per year—thus often require grants to supplement income from insurance reimbursement and local resources. The benefits are well worth the expense in many areas. The centers offer jobs and training to the unemployed, deliver nutritional, environmental, transportation, and patient education services which are crucial to social, economic and health needs of these communities.

Projects have had a dramatic impact on infant mortality rates and other indices sensitive to improved health services in the short run.

Centers, in addition, are not expensive when the range of services and savings in days of hospital care are considered. A national study of patients treated by comprehensive health centers found 30 to 35 percent fewer days of hospital care per patient population than the national average. Medical costs ran from $20 to $25 per patient visit—roughly equivalent to rates in group practices.

Environmental, mental health services, and other non-medical health services cost an additional $15 to $20 per person. Total costs were about $200 per person per year—a cost remarkably similar to the national average for the year studied. Considering the severe health needs of the centers' populations, the health centers emerge as one of the most cost-effective approaches for areas with high concentrations of poverty. [3]

ECONOMIC DEVELOPMENT AND RURAL HEALTH CARE

Health is a critical component of both human resources and community development activities. It is impossible for an individual in poor health to work or learn up to his or her maximum potential. A community whose citizens suffer disproportionally from ill health provides a poor work force to attract business, and is less likely to be aggressive in developing local economic activity. In addition, a community which has inadequate medical services may have difficulty attracting and keeping industry, employers, and professionals.

Rural communities frequently suffer from poor communication and transportation, and inadequate water, sewage and solid waste disposal systems. Substandard housing is more prevalent in rural areas than in cities. The lack of or the poor quality of these systems directly hampers economic development in rural areas, and also impacts negatively on the health of rural Americans. This generates a sort of downward spiral which necessitates improvement in these basic living conditions as part of efforts to improve health and increase economic development.

In some cases, development of an adequate health care delivery system can serve as a focus to lay the basis for economic development. Every member of the community feels the need for health care at some time. Illness and death know no race, socioeconomic, cultural, religious or generational differences. Cooperation in an effort to attract and support a health care delivery system can thus be a catalyst to promote community involvement in other development activities.

Recent economic and social trends indicate that the present rising interest and concern with rural health care and with economic development will continue and accelerate. Three factors contribute to this acceleration. First, there has been a reverse in the population flow. Prior to 1970, there was rapid outmigration from rural areas into urban areas, but recently there has been a net population flow to nonmetropolitan areas. Second, more and more people, whereever they currently reside, are indicating a preference for a rural lifestyle. Third, the increasing need for new energy resources has resulted in the almost overnight development of some rural areas in the Southwest and the West from which natural resources are being extracted. In these rapidly growing areas individuals and businesses are demanding the services present in urban areas. The resources of most small communities are insufficient to meet the demands. Public policy which is designed to assist communities to manage and plan their own economic and human resource development—and meet their health needs—will ease the trauma for most rural areas.

RECOMMENDATIONS

The need for improved rural health care is evident and many new and innovative ways to seek it have been described. Policy changes are needed in the training of health professionals, in the nature of rural practice, in the content of rural health care, in the way minorities are treated, and in the way rural health care is financed.

Training health professionals

Greater emphasis needs to be placed on training physicians and other health professionals specifically for rural practice.

Admission and scholarship procedures of medical, dental, and nursing schools should be reviewed to ensure that students desiring rural practice are sought and that such students are familiar with sources of financial support for education.

Changing the nature of rural practice

While more experience is required to know with certainty those changes in rural practice that will be most successful in attracting qualified health professionals and in improving rural health, the following components for a rural health system are recommended:

Group practice should be encouraged where needed to prevent social, cultural, and professional isolation and overwork.

Nurse practitioner clinics with backup part-time physician support should be organized within smaller communities that cannot support or attract groups of physicians. Such clinics should be sponsored by stable community organizations.

Legal support and technical assistance should promote the effective use of nurse practitioners, nurse midwives and physician assistants.

Provisions should be made for the continuing education of health professionals involved in rural practice.

Changing the content of rural health care

Rural health practice should be concerned with environmental health and preventive medicine.

Special attention needs to be given to meeting the dental care and mental health needs of rural people.

An emphasis should be placed on home health services for rural residents, especially the elderly.

Effective patient health education, including provision of printed materials and visual aids as appropriate should be a part of rural health care.

Special emphasis should be given to well-baby care, immunizations, contraceptive information, cancer screening, and prenatal services.

Minorities and rural health care

Affirmative action in health training and federal health programs has attracted relatively few members of minorities into the health professions. Few minority women have been trained in the nurse practitioner training programs. The National Health Service Corps has few minority health professionals. Because attitudes toward personal achievement are important to mental health, successful minority health professionals can be important in demonstrating to rural minorities what minority persons can accomplish.

The available evidence suggests that several additional steps can be taken to improve health care for rural minorities.

A systematic study should be made of the extent, severity, and forms of discriminatory or exclusionary practices in the provision of health care in rural areas, in the training of health professionals for those areas, and in the administration of federal, state, and local health care programs.

Local medical societies should not be permitted for discriminatory reasons to hinder federal rural health projects.

The National Health Service Corps should conduct a more intensive affirmative action program by providing additional scholarships to members of minority groups for medical training and by otherwise increasing the placement of health professionals in rural areas, toward the goal of augmenting the number of qualified Spanish-speaking and black health professionals working in the rural South.

The Medicare program should enforce non-discriminatory practices in the provision of hospital care, nursing home care, private physician care, and other covered services.

Programs to increase the sensitivity of health professionals dealing with minority groups should be improved and undertaken.

Changing the financing of rural health care

Implementation of national health insurance would benefit rural residents who have inadequate coverage under private health insurance and public programs. Specific features that would help insure that rural residents receive a fair share of benefits include:

(1) Establishment of fee schedules for physicians that do not penalize physicians for practicing in rural areas.

(2) Reimbursement for services of non-physician health professionals at rural health centers, whether or not a physician is physically present when service is rendered.

(3) Coverage of all people regardless of family composition, eligibility for welfare, employment status, or other conditions.

(4) Development of supplemental programs to overcome specific barriers to improved health in rural areas. Such programs would include transportation services, outreach services, and patient education services.

The following amendments to current programs would provide much needed relief to rural residents:

(1) Designate rural health centers as participating providers under Medicare and Medicaid, with a separate reimbursement policy based on average expenditures of Medicaid recipients and Medicare enrollees in the state.

(2) Revise the Medicaid program to include low-income, two-parent families regardless of welfare or employment status. Require all states to cover rural health center services and the medically needy.

The National Health Service Corps should continue to experiment with approaches to rural health care, including greater emphasis on nurse practitioner clinics, group practices, a larger role for community residents in the management of health services, and better technical assistance to the Corps own activities.

Legitimize the Rural Health Initiative program through legislative action. This action should include separate funding for the program. [5]

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TABLE 1.—USE OF PREVENTIVE SERVICES BY RESIDENCE, RACE, AND INCOME, UNITED STATES, 1973

	Percent of 17 yr-plus and never had—				Percent of 3 yr-plus and never had eye exam	Percent of 40 yr-plus and never had—	
	Routine physical	Chest X-ray	Pap smear (females)	Breast exam (females)		EKG	Glaucoma test
United States	9.8	13.2	21.0	19.4	9.0	35.9	41.0
Residence:							
SMSA	7.8	11.4	19.5	17.4	8.0	[illegible]2.8	37.7
Central city	8.8	10.9	20.5	18.1	8.9	31.[illegible]	40.2
Outside central city	7.1	11.8	18.7	16.8	7.4	33.6	45.6
Non-SMSA	14.0	17.2	24.3	23.9	11.3	42.5	48.0
Race:							
White	8.9	13.4	20.5	18.9	7.9	35.4	39.8
Black and other	14.8	11.5	24.8	23.2	16.7	41.0	51.4
Family income:							
Under $3,000	20.3	18.8	39.0	34.8	11.9	37.6	50.8
$3,000 to $4,999	18.3	14.9	28.1	25.7	10.4	36.4	46.4
$5,000 to $6,999	15.3	15.0	21.7	21.3	11.7	35.2	45.1
$7,000 to $9,999	14.3	13.5	17.7	16.7	10.0	38.5	43.4
$10,000 to $14,999	7.1	12.0	15.5	14.4	8.8	38.3	40.6
$15,000 and over	4.4	9.9	14.9	13.2	5.9	32.1	31.7
Ratio to rates for SMSA outside central city:							
SMSA-central city	1.24	0.92	1.10	1.08	1.20	0.95	1.13
Non-SMSA	1.97	1.46	1.30	1.42	1.53	1.26	1.35
Black and other	2.08	.97	1.33	1.38	2.26	1.22	1.45
Income under $3,000	2.86	1.59	2.09	2.07	1.61	1.12	1.43

TABLE 2.—HEALTH STATUS AND USE OF MEDICAL SERVICES BY RESIDENCE, 1973–74

	Percent of population[1]	Per person		Days lost work[2]	Visits per person			Percent[3]
		Days of restricted activity	Days of bed disability		Number of MD	Percent with no MD	Number of DDS	
United States	13.8	16.8	6.5	5.2	5.0	25.1	1.6	51.9
SMSA	13.1	16.7	6.7	5.3	5.2	23.9	1.8	49.6
Central city	14.4	18.5	7.7	5.8	5.3	24.5	1.6	52.9
Outside central city	12.1	15.3	5.8	4.9	5.2	23.5	1.9	45.3
Non-SMSA	15.4	17.1	6.2	4.9	4.5	27.6	1.3	55.2
South	14.5	18.6	7.5	5.5	4.8	25.9	1.3	56.6
SMSA	13.1	17.7	7.4	5.6	4.9	24.3	1.4	53.5
Central city	13.9	19.0	8.4	5.7	4.8	25.5	1.3	57.4
Outside central city	12.3	16.4	6.5	5.5	5.0	23.2	1.6	49.7
Non-SMSA	16.4	19.8	7.5	5.4	4.6	28.0	1.1	60.7
Ratio to SMSA- outside central city rates:								
SMSA-central city	1.19	1.21	1.33	1.18	1.02	1.04	0.84	1.17
Non-SMSA	1.27	1.12	1.07	1.00	.87	1.17	.68	1.22
South-non-SMSA	1.36	1.29	1.29	1.10	.88	1.19	.58	1.34

[1] With activity limitation.
[2] Per unemployed person.
[3] With no DDS visits during year.

Senator **Bentsen**. I am going to interrupt at the moment because Congresswoman Smith is back from voting and has another matter coming up. We want very much to hear her testimony. If one of you gentlemen would absent yourself from the table, we will have Representative Smith come up now, please.

STATEMENT OF HON. VIRGINIA SMITH, A U.S. REPRESENTATIVE IN CONGRESS FROM THE THIRD CONGRESSIONAL DISTRICT OF THE STATE OF NEBRASKA

Representative SMITH. Thank you, Mr. Chairman.

Senator BENTSEN. Thank you, Congresswoman, for being here. I know your limitations of time this morning. You may proceed.

Representative SMITH. Thank you, Senator, for being so gracious. I appreciate being given the opportunity of testifying before this distinguished subcommittee.

I know your time is valuable and that I might have to leave, too. If I may, I will summarize my prepared statement.

Senator BENTSEN. Please proceed, Congresswoman.

Representative SMITH. The Third Congressional District of Nebraska comprises approximately three-fourths of the land area in Nebraska. It has 61 counties. Our largest community, Grand Island, has fewer than 60,000 people. Most of the economy of our district depends upon agriculture and agricultural products.

The actions of the Federal Government impact very heavily on our area. Now, as we all know so well, with low farm prices and increased costs of production, coupled with too much Federal regulation, we have many, many problems.

I appreciate being asked to concentrate on health care and postal service problems.

First, however, if I might comment briefly about a few of the other areas of special concern in my district.

The financial picture is growing worse with drought and low farm prices and spiralling cost of production; many banks are in difficulty; farmers are having to refinance their loans or sell a part of their holdings to remain solvent.

Our banks are having to be more restrictive. This, of course, has an impact on the entire community because business receipts are down. Farmers are not buying that machinery or other necessities; and, the supply of goods and services in small communities suffer.

Of course, I know this subcommittee can't—even you as distinguished as you are—solve the drought problem. The Senate has done a great deal of work on the farm program. We are still working on the bill over on the House side.

I think we need to work on many fronts including trying to balance the Federal budget and get inflation under better control.

Federal regulations are one of the most harassing and frustrating problems that my district faces. I can give two illustrations. First, let us consider OSHA, which is notorious for its unreasonable approach to small business and farm problems.

I am concerned that the new administrator, Ms. Eula Bingham, is still opposed to exempting small farmers and small businessmen.

Ms. Bingham met with several House Members the other day and said that she wants to put more emphasis on education and cut out the nit-picking.

My district would think that couldn't be done too soon.

The Environmental Protection Agency leaves much to be desired in its operation. A very current example is the proposed new regulation for grain elevators, which would cause many of our elevators to close; and those that did comply would have had such expense that they would have had to pay the farmers in my district about 4 cents a bushel less for their grain.

This type of insensitive regulation, I think, is important for all of us in the Congress to strive to get under control.

In the area of transportation, our farmers have to depend on their own pick-ups or their own cars for transportation. We have practically no mass transit. We have some roads that are difficult to travel.

We have substantial bridges; and yet we have more and more cries to raid the Highway Trust Fund money that has been set aside for work on roads.

It is very important that we keep it in our rural areas and not channel it to urban mass transit in our big cities when our secondary roads particularly need improvement.

It is incredible that a gas tax should be proposed for areas like ours where farmers and ranchers must do a great deal of driving to run their businesses. They can't go to the corner and step on a bus to get to work.

I am gratified that the House Ways and Means Committee has voted against this proposal and I am very eager for it to be defeated in the Senate and in the House.

Water resource development is of much concern in our area. We have so much irrigation that our groundwater table is going down.

It is my hope that the entire Congress and the President will realize that feasible and safe water projects are good for not only our rural areas but for the entire country.

Proposed cutbacks in the weather service are another area of much concern to us. We have been deeply distressed because the General Accounting Office, the National Weather Service, and the Civil Service Commission are seeking to downgrade job positions relating to weather forecasting and storm warning in rural areas.

They said this was done in Grand Island, in my district, because we didn't have enough people in the weather coverage area; and when I protested, they said they had given no consideration to the damage to crops, to livestock, to turkeys or any other agricultural product.

I think it is essential——

Senator **Bentsen**. They are more concerned that the people know whether to take their umbrellas that day than they are with crops.

Representative **Smith**. Yes. It seems so.

We are in a high tornado area, a high hail area, a high blizzard area. It is important that our agricultural people know about coming storms.

In the area of health care—I wish I had heard all of Mrs. Walker's testimony—it is very, very difficult and becoming more so to get doctors and necessary medical facilities in rural areas; and we have many problems caused by the Federal Government.

Now we have tried to make adjustments so that we can have more doctors and more closely spaced facilities. The Federal medicare and medicaid requirements are based on the needs of large urban hospitals with hundreds of beds and they don't fit small hospitals where we have tried to put long-term care and short-term care under this same roof in order to save overhead, but the medicare requirements make it almost impossible for us to operate.

In the matter of safety regulations, the Federal regulations apply to huge hospitals with several stories.

In our small one-story hospitals, even though they meet State fire requirements, they don't comply for medicare.

Well, in an effort to do something about this, I have introduced a health care package which I think will be very helpful. First, to establish a division of rural health within HEW to concentrate especially in reviewing rural programs and working on demonstration projects to help in rural areas.

Second, to amend the medicare and medicaid regulations so that we have different regulations for hospitals that have fewer than 100 beds, which includes about half of all the hospitals in this country.

Third, to make provisions for small hospitals that have low occupancy so they can provide long-term and acute care in hospitals where there are no appropriate nursing homes in the area.

Fourth, to abandon the PSRO review in rural hospitals. You know, it is quite absurd in a district like mine where we have 32 counties with two or fewer doctors to demand that a committee of doctors review the medicare patients to see if they ought to be in the hospital.

My fifth point deals with physicians' assistants. We have 30 in our area that can be very helpful if we can get the rules adjusted so that they can really use their ability to help in the care of medicare and medicaid patients.

Now, in regard to the problems of the postal service, a day hasn't passed, Senator Bentsen, that I don't get calls or letters from some alarmed people in my district about some proposed new cutback in service.

Now, the postal service says it is trying to be efficient and we want it to be efficient; but, the second word in postal service is "service." and it seems that there is a great attempt being made to downgrade the service in rural areas.

An unwarranted number of routes are being consolidated; small post offices are being prepared to be closed. This would have been a real harassment already if we hadn't gotten a moratorium on post office closings through congressional action.

Now, they are proposing doing away with Saturday delivery of mail. They are proposing to close 57 percent of the small post offices.

You know it is very sad how your committee works hard on one hand to upgrade life in rural America, and then on the other hand, the postal service tries to tear down rural America.

I can quickly give you a picture of it as it might work in my district if some action is not taken.

First, the postmaster is no longer there and the postal service makes no attempt to get one so the post office operates without a postmaster.

Then they take away the rural route because of so-called "inefficiency" and attach it to some bigger town. Then the people have a new address. Then they close the mail route on Saturday. Then the postal service looks at the post office and says, "Well, there is no rural route, no postmaster, no Saturday delivery; we might just as well close the post office".

Then the bank leaves town. Who wants to operate in a town that doesn't have a name? Then the elevator leaves the town; then the businesses leave the town. Then the farmer has to travel a long way to get what he needs.

Soon the Postal Service has seriously downgraded rural America.

Now, I intend to introduce a bill in the House, which I think would go a long way to solving our program.

First, it would prohibit the halting of Saturday delivery of mail. When you stop Saturday delivery, you do away with the weekend newspaper, you do away with weekend service for rural and small town people; you do away with the Saturday specials.

Weekend delivery is very important to rural and small town areas.

Second, my bill provides for a local hearing with a majority of the people agreeing before we either close post offices or before we consolidate routes.

Now, in conclusion, Mr. Chairman, I have tried to present some idea of some of the economic concerns to your distinguished panel; but, I don't want to make the outlook too gloomy.

Out in Nebraska, we still talk about Nebraska, the good life, where we have clean air and good earth and life-giving water and wide open spaces. We cherish our individual freedom, we put our trust in God, and we have a lot of optimism.

I think that we must continue in Washington to help our farmers solve their problems and to assist them in their struggle.

I appreciate your kindness in giving me this opportunity and I do thank you for your attention.

Senator **Bentsen**. You put a lot of your trust in "Big Red" out there, too.

Representative **Smith**. That's right; we do.

Senator **Bentsen**. I like your State rather well. I used to head up a life insurance company in Lincoln, Nebr. I used to own a ranch out in Cherry County.

Representative **Smith**. That's in my district. Ainsworth is in my district. You understand it very well.

Senator **Bentsen**. Talking about the problems of the EPA and OSHA, we had the EPA come out to our farm the other day, 40 miles from town in southwest Texas, and because we were taking grain out of our trucks and siphoning it up into the elevator, they said we had to build a house around it because dust from the grain would float out over the farm which happens to be 40 miles from town.

The only problem with that, we told them, is if we did it, the next day OSHA would be in telling us to tear it down because the first truckdriver smoking a cigarette in there would have been blown to kingdom come.

We finally got them to back off. That's the kind of conflicting regulations and action we see out of the regulatory agencies.

Representative **Smith**. We are thankful you were there to get them to back off.

Senator **Bentsen**. Not often, unfortunately. We don't win them all. Thank you very much for your testimony. It has been significantly helpful to us.

Representative **Smith**. Thank you very much, Senator Bentsen.

Senator **Bentsen**. I thank the panel for letting me interrupt that way. The Congresswoman does have another vote scheduled on the floor of the House.

[The prepared statement of Representative Smith follows:]

PREPARED STATEMENT OF HON. VIRGINIA SMITH

Mr. Chairman, it is indeed a great honor to appear before this subcommittee to discuss several economic topics of great importance of my congressional district and to rural America in general. I want to thank you and the entire Committee for giving me this opportunity to present some of the main concerns of the people of my district.

The Third District of Nebraska covers approximately three-fourths of the land space of the State of Nebraska. It is physically larger than a great many states. Our largest community, Grand Island, has a population of less than 60,000. The economy is largely dependent upon agriculture and agricultural products. We have many small businessmen, farmers, and ranchers.

The policies of the Federal government impact very heavily on the people of my district. Unfortunately, these policies usually bring some economic hardship to one segment or another of the population. Increasing Federal regulation combined with the effects of excessive government spending are at the roots of the greatest economic problems they face.

Today, Mr. Chairman, I am going to touch on several areas relating to these root causes of economic hardships on residents of rural areas.

I would at the outset, however, like to say that the committee has asked that I concentrate on two areas of special concern to me: The question of adequate health care delivery to rural America and the problem of providing efficient Postal Service to small towns and farmers and ranchers. These are but two of the many problems that are hindering the development of our rural areas.

CREDIT CRUNCH

First, however, let me give you a brief look at the overall financial status of our farm economy and address a few of the other economic problems of rural America.

In short, the financial picture is not good. A recent survey by the U.S. Department of Agriculture of 400 bankers in nine Midwestern states, including Nebraska, concludes that "the financial condition of farmers has deteriorated."

Drought, low prices for products and the ever-increasing cost of production brought on by spiraling inflation have resulted in a "credit crunch" that the Department of Agriculture sees as getting worse before it gets better. Many farmers may be forced to refinance their loans or dispose of some of their assets to remain solvent. Cash flow from the sale of products has been reduced and is forcing the banks to be more retrictive on loans.

The Department of Agriculture paints the following economic picture for rural America if things do not improve:

"Continued farm problems could lead to large secondary impacts on rural communities. Decreases in business receipts are evident as farmers forego purchases of machinery and equipment and cut back on other production items and family purchases. Such reductions in income to area merchants could reduce employment in the area. Because of lower farm income and the potential for a decline in land values, local sales, income, and real estate, taxes could fall and local communities would be forced to cut services."

I realize there is nothing this Committee, even with so many distinguished members, can do about the weather. The Committee on Agriculture in the Senate already has formulated its farm bill and that legislation has been approved by the entire Senate. In the House of Representatives, the Committee on Agriculture is still working on the right formula to help boost farm prices. Regarding inflation, we all can do our share to help cut Federal spending on unnecessary items to bring about a balanced budget. It will take the cooperation of all Americans to achieve a meaningful change in governmental policy to help end the credit problems of our farmers and ranchers.

FEDERAL REGULATIONS

One of the most discussed, frustrating and burdensome problems that rural residents experience is that of overregulation by the Federal government. Regulations resulting from laws that the Congress has approved are having a negative effect on the ability of our small businesses to make a reasonable profit. In many cases, laws are made or regulations promulgated without any consideration of their effect on the small businessman, the small community or the farmer or rancher.

Let me give you a couple of illustrations. I do not think I need to go into detail on the cost of some of the regulations being enforced by the Occupational Safety and Health Administration. This agency is notorious for its unreasonable approach to small business and to the farmer and rancher. The new administrator of OSHA, Dr. Eula Bingham, has pledged to reform OSHA and change some of its practices, but she continues to oppose any exemption for farmers and ranchers.

The rules of OSHA are very complex and many are outright confusing. Even the large companies have a difficult time trying to decipher some of the many regulations coming from that agency. Obviously, the task is much greater for small business. The economic impact is incalculable. Many manhours are wasted and many dollars are thrown away on what some would call "nitpicking" regulations. Dr. Bingham has said OSHA's "nitpicking" will stop. For the sake of the economic viability of rural America, it will not be too soon. I believe the Congress should measure the economic impact of OSHA on rural America and severely restrict its authority in that area.

The Environmental Protection Agency is another thorn in the side of rural America. Its methods often leave something to be desired. Let us take the case of the requirement for country grain elevators to install air pollution control devices. Again, this is a case where the economic impact on rural areas was not considered when the regulations were formulated. Only intervention by Members of the Congress from farm areas has prevented these regulations from going into effect.

The devices to be installed are very costly and most likely would have forced many elevators out of business. If this happens, the economy of the community in which the elevator is located will be struck a devastating blow. In many communities, the elevator is the hub of economic activity. Of course, the grain producer also will suffer. At a time when he is receiving less than the cost of production for his grain, the added costs of these air pollution control devices at his country elevator would be deducted from the amount he receives.

These are the types of insensitive acts by Federal agencies that the Congress must stop. We who represent the people of these areas are held accountable. We must exercise our responsibility to ensure the laws we pass will not discriminate against rural America.

TRANSPORTATION

The rural resident usually is dependent upon his car, truck or even tractor as his primary means to travel from place to place. In many areas of my District, farms and ranches are distant from one another, and towns are even farther apart. There is little mass transit, some roads are difficult to travel even in good weather, and many bridges are substandard. These are all problems that must be corrected. But what is happening? More and more there are cries to raid the Highway Trust Fund; money that has been set aside for work on roads. Most of those doing the crying want funds diverted to mass transit. Who will this benefit? It will benefit those in urban areas and those who live on the East Coast. We desperately need to preserve the Highway Trust Fund and to ensure that more funds from it are allocated for work on secondary roads.

One of the most incredible cases of rural economic discrimination in the area of transportation has been the proposal to place a heavy tax on gasoline as part of the President's energy package. Fortunately, in the House Ways and Means Committee, this approach was overwhelmingly rejected. But there have been pledges to revive it an it still could be part of the energy bill that this Congress presents to the President. For the sake of rural America, it must not be. How can we further penalize the farmer and rancher by increasing to him the cost of an already expensive product? He cannot go to the street corner and catch the bus. In most cases he cannot even carpool. He depends on his private vehicle and the gasoline that propels it for his very livelihood. His unique situation must be remembered as we formulate legislation to solve our energy problem.

WATER PROJECTS

A subject of very great importance to rural economic growth is the continuation of water resource development. The benefits that have been derived from water projects throughout rural America are too great to be estimated. We do a great deal of irrigating in Nebraska to help produce food and fiber for America and many foreign countries.

In many areas of my State, because of the increase in irrigation systems, the groundwater table has been on the decline. This situation has spurred interest throughout Nebraska in water conservation and more efficient utilization of this precious resource.

In my District, for example, there are two large Bureau projects under construction—the O'Neill and the North Loup reclamation projects. It has been estimated that when completed they will add to the economy of the area and the State a total of nearly $200 million annually.

These projects are an investment in the future of America.

It is my hope that the entire Congress and the President realize that feasible, safe water projects are important to our rural areas; important to our states and important to the entire Country. We can't afford to arbitrarily and unnecessarily restrict their development.

WEATHER SERVICE

As I mentioned earlier, there is little the Congress can do about the weather. However, the National Weather Service, the General Accounting Office, and the Civil Service Commission have been at work to deprive some of our rural areas of vitally needed weather forecasting and storm warning service. There has been a move to downgrade critical positions at some of the Weather Service offices across the Country. One of those happens to be in my District. It appears the main reason for the downgrading is that the Weather Service office in Grand Island does not provide service to an area containing a sufficient number of people to warrant the current job grade.

In protesting this action, I was told that no consideration had been given for the value of crops in the area or herds of cattle, turkeys or other animals that might be destroyed because there was no warning of a storm. Good weather forecasting and storm warning service are economic necessities for farmers and ranchers. They are some of the most important services that the Federal Government provides. Yet, we must be forced to fight moves to cut it back.

What is even more shocking is a recent GAO report which recommends that much of the National Weather Service's local weather forecasting be done away with. Again, there is no evidence that the economic impact of such a move was taken into consideration. A life in rural Nebraska is just as important as one in New York City. It may not be as efficient for the U.S. Government to help save that life, but that should not be the consideration. In addition, a ruined crop or a destroyed herd will not only have a serious economic impact on the producer, the consumer who depends on those products will end up paying more because of the resulting shortage.

Any attempt to reduce the quality or quantity of weather service to rural America should be strongly opposed. My plea is that the GAO report not be followed by the Commerce Department and that any attempt to drastically reduce weather service operations or quality of personnel to rural areas be closely examined by the Congress in light of its total effect.

Mr. Chairman, these have been some examples of economic discrimination faced daily by rural America. I hope this Committee will be able to assist the Congress in becoming more aware of this part of America and its unique problems. I am now going to take a detailed look at two of the problems that the Committee has suggested I address: health care and the Postal Service.

HEALTH CARE

Improvements in health care delivery in rural America in general, and in western Nebraska in particular, are extremely difficult to achieve. We have a relatively small population spread out over a great many square miles.

This has resulted in difficulties in attracting an adequate number of doctors on the one hand, and in the necessary placement of health care facilities great distances from one another. Over the past few years, however, we have successfully experimented with consolidating different types of health care into one facility. This enables us to keep overhead expenses under control and space the combined facilities more closely than would be possible with many more specialized centers.

As we make progress in these efforts, however, it is becoming increasingly evident that the medicare/medicaid regulations which govern Federal reimbursement for certain health services are designed to meet the needs of only the large urban hospitals with hundreds of beds and an abundance of trained personnel, to say nothing of a more secure financial footing.

For example, separate staffing requirements exist for extended care units and inpatient units. In Nebraska, by combining such units we are able to improve the quality of our care. Federal regulations ignore this and require staff levels which are unnecessarily high and soak up the savings in overhead we were trying to accomplish.

The regulations also prescribe certain safety standards for any building used to treat those reimbursed under Medicare or Medicaid. These are designed for large facilities several stories high, but they are unrealistic for small one story facilities. Even though these structures meet Nebraska fire and safety codes, many are being denied Medicare/Medicaid reimbursement.

The Congress must realize differing conditions exist in various parts of our Country when enacting legislation binding on all. It is not merely a question of minority rights; it is a question of effective legislation designed to meet the needs of the greatest number of our citizens. To continue to ignore the many differences that exist in rural areas—as in the case of health care delivery—is counterproductive at best and irresponsible at worst.

To combat this situation, I have introduced five separate bills that I hope will help correct the deficiencies and place some emphasis on the need for special consideration of rural health care needs.

One bill would create an Office of Rural Health within the Department of Health, Education, and Welfare.

This office would provide a centralized focus on the health needs of rural areas, since the availability of these services in many rural areas is far below that of the Nation as a whole.

Not only would this Office of Rural Health review existing programs and initiate demonstration projects which would improve health delivery systems, but it would also decrease the amount of red tape which is now present. This will be accomplished because there currently is no location for these administrators to turn in attempting to gather information specifically designed for their situation.

Another bill would specifically amend medicare and medicaid regulations as they pertain to hospitals of 100 beds or less.

This legislation calls for the Secretary of HEW to promulgate separate regulations for these hospital facilities because the current ones do not take into consideration specific problems faced by these small facilities.

Another bill would allow small hospitals in rural areas with low occupancy to provide long-term care without danger of loss of medicare funds where there are no appropriate nursing home beds available.

I've also introduced a bill abolishing the Professional Standards Review Organizations. This PSRO review was established in an attempt to prevent fraud in the Medicare and Medicaid systems, but is nothing more than bureaucratic red tape.

Under the PSRO review procedure a committee of doctors would review the diagnosis made by a family physician and have to approve it before a person would be eligible for Medicare and Medicaid reimbursement.

In rural areas of the Third District, where there are 32 counties with 2 or fewer doctors, this type of PSRO review is unnecessary and costly.

Also included in this package of legislation is a resolution asking the President to declare the first week in April, each year, as "National Rural Health Week."

This designation will help focus attention on the rural health situation and hopefully will encourage development of ways to improve the health care delivery systems in the towns and rural areas of America.

I feel this total package of legislation is very important to a major section of our population, since nearly half of the hospitals in the Country have 100 beds or less.

In addition, I have introduced legislation to make it easier for rural areas to utilize physician assistants when doctors are not available. The economics of this program are obvious. Rural health clinics face difficult times if the law is not changed to authorize Medicare payments for services furnished by physician assistants. Again, we currently have another case of discrimination against rural areas. The law currently prohibits medicare funds to be used to reimburse rural physician asistants who are providing the same services as urban physician assistants—who can receive Medicare money if a licensed physician is actually on the premises at the time of treatment. This requirement—although practical for urban areas—will not work for sparsely populated rural areas.

POSTAL SERVICE

Every day I receive letters and phone calls from my District about one service reduction or another that Postal Service management has perpetrated in some small community or on some poor individual.

Has the U.S. Postal Service recognized any special need in rural America? For the most part, it has not. Its response has been to penalize rural America, because the delivery of mail in those wide open spaces is not "efficient." That seems to be the only criteria upon which the Postal Service currently is basing its operations.

No one can argue against the worthy goal of efficient postal operations. For many years the Congress and the people of this Country were distressed at the mismanagement and huge budget deficits of the old Post Office Department. But, somewhere along the line, in the effort to correct these deficiencies, the "service" aspect of the Postal Service has oftentimes been neglected.

Thus, in recent months we have heard pronouncements—both unofficial and official—that have greatly disturbed the people of my District. They believe that in any effort to achieve more "efficiency" they will be the first to be sacrificed. Their alarms are based on concrete facts:

Rural routes are being consolidated in unwarranted numbers in my District;

Smalltown Post Offices are being downgraded as a result—only a moratorium on the closing of smalltown Post Offices mandated by the Congress has saved many from being closed outright.

A proposal has been advanced by the Postal Service to begin halting the Saturday delivery of mail.

A Postal Service study has recommended that 57 percent of the Nation's Post Offices could be closed without hurting service.

The last item is laughable. The people of my District know where the Post Office closings will begin. They will begin in the small towns throughout the Country, because their operations are not "efficient," according to current Postal Service standards.

It is ironic that the Postal Service seems to be doing everything in its power to kill off rural America, at the same time the Congress seeks to develop programs designed to strengthen rural America. It does not seem to make much sense.

Mr. Speaker, rural America greatly depends on the Postal Service and needs effective service to survive. Yet, Postal Service policies have been designed to significantly reduce service to these areas. Let me provide the following scenario:

A small town with a rural route originating from its Post Offices loses its permanent postmaster. No attempt is made by the Postal Service to replace the permanent postmaster. Then, an announcement is made, for reasons of economy, the rural route from that smalltown Post Office will be changed to originate from a nearby, larger town. Patrons of the affected rural route will experience a delay in receiving their mail, because they are now part of that larger rural route coming from a town farther away. For reasons of economy, once again, Saturday mail delivery is dropped. Delays of incoming and outgoing mail are experienced. No weekend newspapers are delivered. The farmer and rancher is further isolated from his local community. Businesses are adversely affected because their weekend advertisements do not reach the customers. Newspapers lose advertising revenue and their operations are hurt.

The Postal Service now says that in the interests of economy and convenience it is closing the smalltown Post Office. The local citizens have no recourse. The Postal Service feels perfectly justified in doing this, because the smalltown Post Office no longer has a postmaster or a rural route or has Saturday delivery. It seems a simple step to close it down.

Without a Post Office, that small town's businesses find it difficult to continue their operations. Some close; some move to other communities. As the business community deteriorates, the farmers and ranches are forced to go to other more distant places for basic services. Soon, it becomes more and more costly for them to obtain machine parts, petroleum products, hardware, clothing, and the like. Farm prices are low; they can no longer afford to stay on the land. End of scenario.

Thus, the character of rural America can be changed by the actions of the Postal Service. The Congress must not let this happen. Action is needed by the

Congress because, unfortunately, there are few, if any, in the Postal Service management in Washington who realize how great an impact change in the Postal Service operations can have on small towns and rural residents.

It is my belief that the Congress—the elected representatives of the people—has the responsibility and duty to enact legislation which will mandate public service considerations by the Postal Service.

As a result, I am proposing legislation to deal with three specific aspects of mail service to rural America. The bill I intend to introduce includes provisions to:

Insure that Saturday mail delivery is not halted.

Establish a procedure to prohibit the closing of smalltown Post Offices without a public hearing and without the permission of the majority of the persons served by it.

Insure that a rural route cannot be consolidated without a public hearing and without permission of the rural route patrons.

It will make the Postal Service not only responsive to the Congress, but will insure that the Postal Service is responsive to the will of the people it serves. It is intended to prevent further reduction of service to our Nation's rural areas by the Postal Service.

CONCLUSION

Mr. Chairman, I have tried to present some idea of the economic concerns of rural America to this distinguished panel. I certainly have not covered them all and I hope have not painted a picture of our part of the Country that appears too gloomy. Our rural residents are optimistic. They have the "Good Life," as we call it in Nebraska. They have the clean air, the good earth, life-giving water and the wide-open spaces. They have treasured their individual freedom and put their trust in God.

The people of the Third District and everywhere else in rural America have too much spirit to give up. They will continue to fight to solve these problems. It is our duty to assist them in their struggle.

Thank you for your attention.

Senator BENTSEN. Mr. Partridge, please proceed.

STATEMENT OF ROBERT D. PARTRIDGE, EXECUTIVE VICE PRESIDENT, NATIONAL RURAL COOPERATIVE ASSOCIATION

Mr. PARTRIDGE. Thank you, Senator.

It is very difficult to follow that act, two such fine witnesses, Ms. Walker and Congresswoman Smith.

Representing the rural electric cooperatives as the National Rural Electric Cooperative Association does, I should point out at the outset that our principal task, of course, is energy.

We are concerned about a great deal more than energy. We are concerned about the economic and social well-being of the rural areas that we serve.

Our member systems in the 46 States across the country do serve most of the agricultural production of the United States, three-fourths or so of the food and fiber is produced by farmers and ranchers who are served by rural electric cooperatives.

We are concerned about the impact of the energy crisis on agriculture, on our members because energy supply and its costs are indeed a limiting factor in rural area development and in the production of food and fiber.

Our needs for energy continue to grow both in terms of new members being served and in terms of the increase in the use of electricity as rural people, farmers in particular, turn away from the direct use of fuels to the use of electric power in many of their stationary power needs.

We expect that to continue.

The historic rate of increase in the use of electric power in rural America has exceeded that of the electric industry as a whole.

It is likely to do so in the future. We have been actively involved in both the Senate and House hearings on many of the energy issues now before the Congress.

Our objectives are essentially rather simple. I have them outlined in my prepared statement. We seek to conserve and use wisely the energy supplies we have; second, to produce more from the available resources that we have; third, to develop new energy resources; and fourth to manage the use of the scarce energy and fuel supplies fairly and for the best food of the American people generally.

Ways of reaching these objectives are not simple. They are complicated. We recognize that as we approach a solution to many of these problems. We do believe in energy conservation. I am sure the Chairman knows a program has been instituted at the Department of Agriculture between REA and the Farmers Home Administration, which will have participating in it many of the rural electric cooperatives on a voluntary basis, acting essentially for the Farmer Home Administration in accomplishment of the weatherization of homes, something that we need badly to do in most of the rural areas of the country.

In addition to these conservation measures, we have long advocated that we develop in this country what most other industrialized nations have, a capability of moving electric power in time and temperature regions across the country.

We aren't able to do that today. It seems to us in the sense of making the most of what we have, this country needs very badly a system that can move large blocks of powers across the country to areas where they are needed from areas where the need is down during the hours of the day, days of the week, the month, and so on.

Really, we have not been able to do this. This country, of course, is depending pretty heavily on coal-fired plants at this time. We generate about 45 percent of all the energy in the United States, electric energy, using coal, and for the future it appears we will be relying even more heavily on coal.

The President's goals are to increase the coal production in the United States from the present level to around 650 million tons of coal per year, an increase of something on the order of 1,000 to 1,100 tons of coal per year.

That is a very ambitious goal. We have some serious doubts whether it can be met without many things falling into place properly. Assuming that it can be, the fact remains we are not going to be able to meet all of the energy needs of the county by coal generation.

It appears that we are going to have to rely very heavily on our nuclear reactors. We have, of course, in operation in the United States today about 62, I believe, lightwater reactors. These are not relatively efficient plants, but they do provide a great deal of power at a lower cost than other generating plants presently available, lower in cost of anything except hydropower.

It has seemed to us, and we have continued to support the development of liquid metal fast breeder reactor as a means of making maximum utilization of the domestic uranium ores.

The fact is in the use of our uranium ores with the lightwater reactors we waste $99\frac{3}{10}$ percent of the uranium ores.

We have stored at three sites in the United States enough U^{238} which if we had the breeder reactor in commercial use—and we are a long way from that today—would have a fuel value of about $20 trillion or about the equivalent of 250 million tons of our best coal in the United States.

It seems to us that the best course for this country is to continue—and we have strongly supported financially and otherwise—the development of the liquid metal fast breeder reactor.

But the time that reactor is moved to commercialization around the year 1990, this country ought to be able to decide whether that is the best course or whether alternatively fusion, solar or some other energy source would at that time be the best choice.

The essential point is unless we continue to develop the breeder we will not have that option to exercise around the year 1990 when a decision must be made.

We have strongly supported that development as well as R. & D. on magnetohydrodynamics, on geothermal, wind, and many other so-called alternative energy sources.

It is our view that this country is probably going to need all of these in the long run.

We know and I hope the urban citizens of this country realize as well that the control of energy resources in this country will probably be the key in the years ahead to control the production and distribution of food and fiber throughout the United States.

So, energy availability as well as its cost is going to be critically important. Ultimately, we believe—our national energy policy is our economic development policy. We think we should try to agree now on the rate of economic growth that we must sustain and develop energy policies and programs to meet those goals.

At the same time, we must recognize that energy supplies are going to be a limiting factor on economic development in the short range.

We see a very critical period beginning in the 1980's and extending for at least a decade when energy is likely to be very short of the demand and of the requirements to sustain the high level of living and productivity which this country has enjoyed.

In inviting us to testify before the subcommittee, Senator, we were asked to address some other questions as well, including the area of rural housing, health, employment, and related problems.

We are very much involved in these. I have asked Mr. William Murray, our legislative representative for rural area development, to address these areas of our concern and involvement. Thank you.

Senator Bentsen. Thank you.

[The prepared statement of Mr. Partridge follows:]

Prepared Statement of Robert D. Partridge

The Nation's energy crisis is an economic crisis for rural America.

Without adequate energy resources, and electrical energy in particular, rural America cannot maintain its economic health. Economic growth would be inconceivable. Dependable electric service is essential for industries and business establishments as well as for many farming operations and all modern homes.

Rural electric systems serve 2½ million more families and businesses today than they did 10 years ago.

Looking ahead, and making the realistic assumption that this trend will continue, we can project that by 1985 rural electric systems will have to provide about 5 percent more electricity than at present just to keep up with the growth in number of homes and business and industrial establishments. That does not allow for any increase in consumption per consumer. Yet in 1976 rural industrial consumers used 12 percent more electricity than during the year before, while farm and residential consumption went up more than 6 percent.

In the past seven years, rural electric systems have doubled their service—that is, they are providing twice as much electricity. In fact, this rate of increase seems to have become about standard although the rate was much slower for the two years following the Arab oil embargo.

Rural electric systems, as consumer-owned enterprises providing service at cost, are not interested in pushing sales for profit. But they are vitally interested in meeting the needs of their members—needs which must be met if farming, manufacturing and commerce are to prosper, if jobs are to be available, and if local institutions and the homes of the people are to fulfill their reasonable expectations.

The rural electric cooperatives are deeply concerned about the energy crisis. We have been sounding the alarm for a good many years. At first, we saw it as an approaching shortage of electric power. Then the larger dimensions gradually became apparent. In 1971—in an effort to reach beyond our membership of rural consumers—we commissioned the preparation of a report which we published under the title of "The Electric Power Crisis: Its Impact on Workers and Consumers." In the foreword, I said, "The National Rural Electric Cooperative Association has for some time been deeply concerned because this nation lacks a comprehensive, coordinated national energy policy . . . We believe this report provides an important basic text for our program to spur development of a national policy on energy and resources. This policy will be aimed at ensuring for all Americans, urban as well as rural, an adequate, dependable supply of electric power while at the same time protecting our environment—and at the lowest possible cost to the consumer."

That report developed in some detail the ways in which we depend upon energy, including the fact that in U.S. factories, human labor provided the energy for less than 1 percent of the work done.

Agriculture too has become more and more dependent upon energy other than human labor.

This fact was stated concisely in a recent issue of the Cornell University Engineering Quarterly. It said that since 1950, U.S. agricultural production has increased by more than 50 percent while labor requirements have decreased by more than 50 percent. This change was brought about partly by mechanization, which in turn resulted in a quadrupling of energy use.

A new report by the Food and Energy Council, formerly the Farm Electrification Council, states that if farmers are to keep increasing production to meet demand for food, they have no alternative but to apply more energy inputs to existing farmland. They cannot revert to hand labor. Without powered machinery, the report says, nearly one-third of the entire United States work force would be required just to produce enough food for our own population. And we would need about 60 million draft animals, more than 20 times the number now available. Those animals would require about 180 million acres of land which is now producing for humans.

Noting the predicted depletion of oil and gas resources in perhaps 25 years, the FEC report recommends that we reserve our gas and oil for essential uses for which we have no substitute forms of energy: Fuel for tractors and other mobile agricultural equipment, fuel for jet aircraft, and large trucks and cars that must go long distances, and natural gas for fertilizers and petrochemicals.

Like many other individuals and groups, the FEC recognizes that the shortage of fossil fuels automatically increases the demand for electricity. Electric energy can substitute for oil and gas in virtually every phase of the food system except for long-range transportation, field work, and the production of petrochemicals.

The rural electric systems which NRECA represents provide electric utility service to the farms that produce more than 70 percent of the nation's total agricultural output—75 percent of the wheat, 80 percent of the corn, 72 percent of the livestock. They serve much of rural industry and business. We recognize our responsibilities to rural America. Moreover, we recognize that we are in no sense an island. The entire nation's energy problems are our problems. And we will have to help provide the answers.

In broad outline, our objectives are simple:

1. Conserve and use wisely the energy supplies we have;
2. Produce more from the available resources;
3. Develop new resources;
4. Manage the use of scarce supplies fairly and for the common good.

Obviously, the ways and means of reaching those objectives are not simple. They are extremely complicated and fraught with controversy. But the time has come when we must make decisions and move forward.

NRECA has some very positive positions and recommendations.

For one thing, our members believe strongly in energy conservation. They always have. Many electric co-ops for years have had staff members whose job it is to encourage the consumer members to use electricity economically, and some systems have provided home insulation services. Recently, as you may know, we encouraged the Department of Agriculture to establish a rural home weatherization program, and the Department responded quickly with a Farmers Home Administration credit program which is being put into effect with the cooperation of electric co-ops. A corollary program to meet needs not covered by the Farmers Home program is being developed by the electric co-ops' supplemental finance institution, CFC.

Many rural electric systems are developing means of conserving power and stretching the capability of generating equipment through load management programs. In some cases, load management involves the installation of devices capable of cutting off water heaters or air conditioners or other equipment during periods of peak demand. In some cases, it involves the establishment of rates that encourage consumers to shift some of their heavy consumption—such as that for irrigation—to the hours when demand for electricity is low. In all cases, load management involves understanding and cooperation among consumers and between the co-op management and the consumer members.

We have another means of making better use of currently available supplies of electric power. That is the moving of large blocks of power from region to region across the country. To do this, we must construct and heavy up the transmission facilities that are needed so that utilities and power pools across the country are properly interconnected.

While conservation and the moving of available power, in effect, give us more electricity to meet our real needs and comprise the cheapest means of doing this, we must also increase production. And this depends upon fuel.

About 45 percent of our electric energy in the United States now comes from coal-fired plants which burn 600 million tons of coal per year. Just to maintain that same percentage by 1985 we will need 150 new 1-million kilowatt coal-fired plants and will need to burn, 1,200 million tons of coal—twice as much as at present.

We can't possibly meet the entire need with coal. Hydroelectric facilities can be added in time. But we will also need by 1985 another 150,000 megawatts of power from plants using nuclear fuel.

During the next decade virtually all nuclear power will come from light water reactors—the type we now have and are building. They are not the long-range answer because they are not efficient users of fuel and will rapidly exhaust our uranium resources, notwithstanding their relative economic efficiency as against fossil fueled plants. The present reactors waste 99.3 percent of our uranium supplies because they can burn only 0.7 percent of the processed uranium and because we do not have the facilities to reprocess and reuse the plutonium which is produced as a waste product.

These so-called wastes now in existence, together with the U–238 on hand as a by-product of our fuel processing for the light water reactors, have a value of $20 trillion. They contain the energy equivalent of 2½ to 4 times all of the oil resources of the OPEC nations or 250 billion tons of our best coal.

We can use this tremendous resource if we develop a commercial-scale breeder reactor. The continuance of the Clinch River Breeder Reactor Project is a crucial step in developing the breeder as a viable option which can be exercised in the year 1990 and beyond. Whether the breeder option will actually be exercised at that time will depend on the progress we make in developing other alternative energy sources—solar, fusion, and others. We believe it is critically important that this country have a viable option of utilizing the breeder reactor if that is the best option when the decision must be made, around 1990. We note that at this time, the breeder is the only realistically certain alternative energy option for the future, and we believe it would be a grave, if not a catastrophic, mistake to discontinue work on the breeder to pursue less certain alternative energy systems.

Whether the nation will go forward with the Clinch River project has to be decided by the Congress in the very near future, probably when the ERDA authorization bill comes to a vote—otherwise, when either house votes on the question of disapproving the President's proposal to defer use of appropriated funds for new contracts.

For the long haul, we need to continue our scientific research and development activities aimed at discovering how to use additional energy resources advantageously. Nuclear fusion, solar and geothermal energy, the winds and tides—all these and others should be investigated. Without going into detail about other research needs—and there are many—I should mention in particular the subjects of the fuel cell, magnetohydrodynamics, coal gasification and coal liquefaction. In the field of agricultural energy research, we need to be able to make better use of solar heat, and waste heat from power plants, convert waste products to energy, and produce more nitrogen on the farm.

Along with the crisis of energy supply, we have crucial questions as to who will control the Nation's energy resources. NRECA members take very seriously the danger of monopoly. At our most recent annual meeting, as at previous meetings, our members adopted resolutions calling for strong enforcement of the antitrust laws, especially in the energy field, and for other action to make the large energy companies competitive with each other.

One of these resolutions reads, in part, as follows: "We recommend that the Congress investigate the possible monopolistic practices of those corporations which control reserves, extraction, conversion, and transportation of energy products, and of corporations whose boards of directors interlock with those of other corporations that exercise control of energy products. We urge the Congress to pass legislation which will prevent monopolistic control over the nation's energy supplies, require 'total energy corporations' to divest themselves of competitive fuels and energy sources, and restore competition between the several energy products."

Another resolution urges Congress to adopt the policy of double checking all major legislation to see that it is workable in rural areas and equitable to them. This principle is nowhere more important than in energy legislation.

We or the rural areas know, and the people of the cities should be aware, that those who control the energy resources could control the food and fiber production of this country.

Moreover, it seems clear that decisions as to where and at what rate our energy resources are made available for use will set the pattern of economic development throughout the Nation. Those decisions are of such vital, personal importance to each of us that they should be made in the most open and democratic manner possible.

Ultimately our national energy policy is our economic development policy. We should try to agree now on the rate of economic growth that we must sustain, and develop energy policies and programs to meet these goals. At the same time, we must recognize that energy supplies are going to be the limiting factor on economic development in the foreseeable future.

I shall be glad to respond to your questions and then turn to our NRECA Legislative Specialist for Rural Area Development, William E. Murray, for the information you asked us to provide regarding rural housing, health, employment and related problems.

Senator BENTSEN. All right, Mr. Murray.

STATEMENT OF WILLIAM E. MURRAY, LEGISLATIVE SPECIALIST FOR RURAL AREA DEVELOPMENT, NATIONAL RURAL ELECTRICAL COOPERATIVE ASSOCIATION

Mr. MURRAY. For the record, I am William E. Murray, the legislative specialist for rural area development of the National Rural Electric Cooperative Association.

Mr. Partridge told you that he has asked me to discuss NRECA's recommendations to questions which you asked, Mr. Chairman, in your letter to Mr. Partridge.

You asked what might be done during the next few years by Congress and the administration to foster balanced growth of our rural areas and to help them overcome their problems in a number of areas Mr. Partridge just cited.

In addition, you asked us to comment on whether we felt that existing rural programs were receiving adequate funding.

You will note, Mr. Chairman, that my prepared statement is quite lengthy. I don't intend to take up the time of the committee with reading it. This is a complicated subject and we have been wrestling with it for a number of years.

There are some things that we feel have to be done if we are going to achieve satisfactory solutions to these problems.

It was my privilege last year to be a member of the U.S. delegation to the Habitat Conference on Human Settlements. I was struck by the fact that nearly all of the 150 countries that were represented there cited rural outmigration, or this increasing imbalance between rural and urban areas, as the principal cause of most of their problems.

What they described as a result of this population shift in their countries is a horror story. We can be very grateful, I think, that at last we are reversing this trend.

We have been plagued by it for 30 years. We lost 25 to 30 million people from 1940 to 1970. Since 1970, we are gaining some people in rural areas. Not a great deal, but enough to encourage us that there is a trend and it can continue if we will do a number of things.

We mention in our prepared statement some of these things that we think need to be done. I don't want to leave the impression that rural areas still are not losing population because a great many countries are.

Rural outmigration could begin again if we don't do something positive with respect to providing jobs for people and other facilities which are required not only to attract people to rural areas but to stabilize existing populations.

We are particularly concerned with jobs. People can't be expected to locate in rural areas unless they have some means of making a living.

The people that are there can't be expected to stay unless they have some way of earning a living. We believe that rural areas are still feeling the effects of the recent recession; and while we don't have good figures on unemployment and underemployment in rural areas, I think it can be assumed that certainly it is as bad as it is in urban areas.

Moreover, it is our opinion that rural development authorities which Congress has provided over the years and which have been successfully directed toward helping rural outmigration—helping to halt it—could now be used to significantly reduce unemployment and underemployment in rural areas and thereby help achieve the objectives of both Congress and the administration. That is putting millions of people back to work.

I would prefer to a resolution of our annual meeting in 1977 entitled "Rural Jobs Creation."

The resolution pointed out—and I will quote a paragraph from it, "Under the Rural Development Act of 1972 and other legislation, USDA has the potential for unlimited financing of a broad range of job-creating enterprises including housing, community facilities of all kinds, business and industry, farming, electrification, telephone, health centers, telecommunications, conservation, and others. Most of this financing would be in the form of guaranteed or insured loans with minimal impact on the Federal budget. This appears to us as the most cost-effective manner of stimulating the economy which the Government could choose."

I happen to have the privilege of working very closely with Congressman Breckinridge. I happen to be the chairman of the steering committee of the advisory team that works with the Congressional Rural Caucus.

While I wasn't here for his entire statement, I am familiar with what the caucus is proposing. That seems to us a very sound and sensible approach.

This is about the same approach that our membership is urging upon the President and the Secretary of Agriculture. We believe they should develop a plan to mobilize and coordinate the resources of the U.S.D.A. and its constituencies in a national effort aimed at the substantial reduction of unemployment.

Further, the membership noted in that resolution that U.S.D.A. could enlist the assistance of other Federal agencies under its authorities to provide leadership and coordination for all Federal rural development.

Now, there are no simple answers to the problems of rural areas. Incidentally, these problems have been very well documented particularly before the Senate Subcommittee on Rural Development, which has been holding oversight hearings on this subject for the last 3 years and which will resume oversight hearings on June 16 with top U.S.D.A. officials.

So, I don't think that we need to go into those. What we are more concerned about, it seems to us, is what we can do in the way of solving some of these problems. We believe that the full and aggressive implementation of the Rural Development Act of 1972 is one of the answers as to what Congress and the administration can do.

This piece of legislation in our opinion was the manifestation of a commitment that Congress made to rural development in the Agricultural Act of 1970.

Congress at that time said as follows:

> Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas.

Now, it is possible, of course, to improve any piece of legislation. In our opinion, however, the Rural Development Act, as it is written now could achieve all of the objectives Congress intended for it if the executive branch would implement it on the scale commensurate with the need.

We are encouraged to think that this administration will use these broad authorities which Congress provided in that legislation, not only to stabilize the population and the economies of rural communities but as a part of the priority commitment which the administration has to reduce unemployment.

We would hope you would urge them to implement these authorities without delay. It is important that they do.

Briefly, I think it is significant to recognize that the Rural Development Act supplied the essential missing components for the U.S.D.A.'s rural development tool kit and made possible for the first time the launching by the Federal Government of the kind of massive, comprehensive, rural development necessary to provide an alternative to continued rural outmigration.

I believe of all of the programs in the act, the one that provides authority to make loans for business and industrial development was perhaps the most important. It certainly was the most important missing component in the U.S.D.A.'s array of programs.

Mr. Breckinridge cited the number of jobs created by loans from the SBA. I note U.S.D.A. said recently that under their business and industrial development program, a total of 136,000 jobs have been created or saved at a cost of about 9,000 per job.

The B. & I. program as USDA has implemented it in the past several years, has been very small and really a token effort.

That certainly indicates one of the things that could be done.

Senator BENTSEN. Mr. Murray, I am going to have to ask you to summarize. I am concerned I will get called on a vote.

Mr. MURRAY. Mr. Chairman, I would find it difficult to summarize except to say that our recommendations are in my prepared statement. We feel that priority is the thing that determines whether rural development gets attention or does not get attention.

There are a lot of things that need to be done to increase the priority for rural development. There are a lot of things that need to be done to make it possible for Farmers Home Administration, which is the agency to which most of these authorities have been delegated, to really carry out these programs.

We have listed them in our prepared statement.

Unless there is some way to improve the delivery system in Farmers Home—and we have suggested ways that we think this can be done—then I don't think we are going to be very satisfied with what comes of these rural development efforts; and certainly we will not achieve the potential that is possible under the Rural Development Act, which can provide for unlimited financing of all kinds of programs, many of which have been touched on here today at a very minimal impact on the Federal budget because mostly they are insured or guaranteed loans.

Thank you very much, Mr. Chairman.

[The prepared statement, with an attachment, of Mr. Murray follows:]

PREPARED STATEMENT OF WILLIAM E. MURRAY

Mr. Chairman, and members of the subcommittee: My name is William E. Murray. I am legislative specialist for rural area development of the National Rural Electric Cooperative Association. Mr. Partridge has asked me to discuss NRECA's recommendations to questions which you asked, Mr. Chairman, in your letter to him of May 24. You asked what might be done during the next few years by Congress and the administration to foster balanced growth of our rural areas and to help them overcome their problems in such areas as housing, transportation, health, jobs and credit and so on. In addition, you asked us to comment on whether we felt that existing rural programs were receiving adequate funding.

It is our opinion, Mr. Chairman, that the problems facing rural areas have been well documented on numerous occasions including at hearings before Congress, particularly hearings conducted by the Senate Subcommittee on Rural Development. As you know, that subcommittee has conducted oversight hearings on rural development over the past several years. Tomorrow, that subcommittee will begin another series of oversight hearings on rural development.

While we have for a long time discussed problems of rural areas, we are encouraged that this subcommittee is emphasizing what can be done to help solve these problems.

In respect to the matter of balanced growth, we would like to first say that this is not only a major domestic problem for our nation but a problem facing most of the countries of the world. Last year I had the privilege of serving as a member of the United States delegation to the United Nations Habitat Conference on Human Settlements at which approximately 150 countries were represented. I was struck by the fact that most of the nations emphasized rural outmigration as a principal cause of the problems that are reaching crisis proportions in their countries. Millions of people are leaving rural areas and are piling up in the cities creating severe strain on land, capital, technology, housing, employment, and social infrastructure. This population shift has swelled the number of people in cities fantastically and has created in its wake squatter settlements or shanty towns crowded with millions of people who live in dire poverty with little hope of much improvement.

It was estimated that over the next 25 years, cities which already contain 700-million people will absorb another 1.8-billion people, most of them unskilled and impoverished. Hardly any country, either newly developing or highly industrialized, is free of the problems of this rapid population shift which is creating tremendous imbalance with severe implications for rural as well as urban areas.

The Habitat Conference developed a number of recommendations designed to help nations provide alternatives to rural-urban migration and to deal with the consequences of their already over-crowded cities.

Contrasted to what is happening around the globe, we here in the United States can consider ourselves fortunate for we have at last reversed rural outmigration. From 1940 to 1070 this was one of our most serious domestic concerns. During that time, some 25 to 30-million displaced farm and rural people migrated to the cities.

Happily the trend has been reversed. This reverse began in 1970 and has continued so that today rural areas are gaining population at about the same rate as the lost people in the 1960s. During the first four years of this decade, rural areas have had a net gain of 1.6-million population. Not a tremendous increase certainly, but extremely significant all the same when it is considered that during the 1950s rural areas were losing about a million people a year.

If this trend is to continue, rural areas must be in a position to provide the jobs, the services and the community facilities which Americans now take for granted and which have become a necessary part of our society. Parenthetically, we think it is worth mentioning that the nation's 1,000 rural electric systems have contributed importantly to making it possible for people to live in rural areas with all the advantages of city life. We are very proud of this contribution. We believe it goes without saying that if it hadn't been for the rural electrification program which provides electricity to even the remotest places, rural America would now be largely a wasteland without any real hope of a recovery. Thus, it is understandable that rural electrics for many years have been in the forefront of trying to restore a sounder rural-urban balance. And as Mr. Partridge has pointed out, rural electrics will have to be able to meet increased demands for electricity if rural areas are to continue to grow.

Notwithstanding the encouraging turn-around in rural America, a great many rural counties are still losing population. Moreover, rural outmigration could once again become a problem if we are not able to provide the jobs and other facilities which are required not only to attract new people but to stabilize existing populations. Of particular importance, of course, are jobs. People can not be expected to locate in a rural area unless there is some means of livelihood available to them. Nor can those who are residents of rural communities be in a position to stay there unless they can make a living. Rural areas are still feeling the effects of the recent recession and it certainly can be assumed that unemployment and underemployment is as bad as it is in urban areas.

In our opinion, the rural development authorities, which Congress provided over the years and which have been successfully directed toward helping halt rural outmigration, could also be used to significantly reduce unemployment and underemployment in rural areas and thereby help achieve the objective of both Congress and the administration of putting millions of people back to work.

At its 1977 annual meeting, the NRECA membership recommended this approach in a resolution entitled "Rural Jobs Creation" a copy of which is attached.

The resolution pointed out:

"Under the Rural Development Act of 1972 and other legislation, USDA has the potential for unlimited financing of a broad range of job-creating enterprises including housing, community facilities of all kinds, business and industry, farming, electrification, telephony, health centers, telecommunications, conservation and others. Most of this financing would be in the form of guaranteed or insured loans with minimal impact on the federal budget. This appears to us as the most cost-effective manner of stimulating the economy which the government could choose."

Our membership went on to urge the President and the Secretary of Agriculture to develop a plan to mobilize and coordinate the resources of the USDA and its constituencies in a national effort aimed at a substantial reduction of unemployment. And further, the membership noted that USDA could enlist the assistance of other federal agencies under its authorities to provide leadership and coordination of all federal rural development.

The Congressional Rural Caucus, consisting of a bi-partisan group of a hundred members of the House of Representatives, in its budget recommendations for rural development this year proposed a total of approximately $14.1-billion of which $13.5-billion would be in the form of loan authorizations and only $557-million in grants. CRC Chairman, Rep. John Breckinridge of Kentucky, in presenting these recommendations commented: "The full implementation of these financial resources to meet such credit needs is of the utmost importance to our farmers, non-farmers, and our nation. It creates jobs at a profit to the taxpayer without deficit financing and utilizes existing and experienced federal and private resources, already in place, throughout the country and urban as well as rural areas."

Mr. Breckinridge added that the CRC proposal could stimulate both the private and public sector to create permanent jobs which would stimulate "the economy with the protection of existing jobs plus, the creation of new and additional jobs, resulting in tax revenues from wages and salaries as well as profitability potential for farm and nonfarm enterprises." He said that the proposed budget could "produce in the neighborhood of 2 to 3 million private sector jobs" and would be "more than 95% privately, non-taxed dollar funded."

Mr. Breckinridge's statement contained an analysis of the impact of 288,000 jobs created in the private sector through the Small Business Administration as a result of $2-billion in loans. His figures showed that in one year there would be $2.3-billion in benefits and $300-million in SBA cost, including expected loan losses, producing a total net benefit of $2-billion to the taxpayers thereafter.

While there are no simple answers to the problems of rural areas, we believe that full and aggressive implementation of the Rural Development Act of 1972 is one of the answers as to what the Congress and the administration can do.

This piece of legislation, we believe, was the manifestation of the commitment that Congress made to rural development in the Agricultural Act of 1970 when it stated: "Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas."

While it is possible to improve any legislation, we believe that the Rural Development Act as written could achieve all of the objectives Congress intended for it if the Executive Branch would implement it on the scale commensurate with the need. We are encouraged to think that the new administration will use the broad rural development authorities which Congres provided in that legislation, not only to help stabilize the populations and economies of rural communities, but as part of its priority commitment to reduce unemployment. We would hope you would urge the Administration to implement these authorities soon.

We believe that the Rural Development Act contains the potential for creating hundreds of thousands of jobs in a wide variety of fields such as housing, community facilities of all kinds, business and industry, farming and others. In addition, the Rural Development Act, through farm operating loans and ownership loans can supply the credit many farm operators require to stay in business.

The Rural Development Act expanded existing authorities in USDA and supplied some essential missing components so as to make possible for the first time the launching by the federal government of the kind of massive, comprehensive rural development necessary to provide an alternative to continued rural outmigration. Of the new programs established by the Act, that which provides financing for job creating enterprises is the most significant, in our opinion. This was the most important missing ingredient in the USDA's rural development tool kit. Jobs have got to be at the top of the list in any effort to revitalize rural areas and stabilize their populations.

Moreover, Congress assigned the mission for rural development to the USDA and authorized and directed the Secretary of Agriculture to coordinate the programs of all executive agencies with respect to rural development. Thus, the Rural Development Act gave one federal department, the USDA, the additional major components for rural development which it lacked, authorized expansion of existing programs, provided unlimited financing for these programs and assigned to it the authority it needed to carry out its responsibilities and to see to it that other agencies worked in concert. And it has been pointed out, most of the funding under the Rural Development Act and the programs it complements is in the form of loans either insured or guaranteed and therefore has limited impact on federal outlays.

Perhaps it is something like what Chesterton said of Christianity. If our memory serves us correctly, he said there was nothing wrong with Christianity. Its just that it's never been tried. There is nothing very wrong with the Rural Development Act. In fact, in our opinion, it is the most important piece of rural development ever enacted. It's time that it is tried.

This raises the question to why hasn't it? The answer to this is another matter which we would hope this subcommittee would give its attention to. One primary deficiency, in our opinion, is the absence of overall strategy in goals for rural development based on the dimensions of the task. We believe Congress expected USDA to develop a plan based on goals. The legislative history of the Rural Development Act and the language of the Act itself makes this clear. If there is any doubt we would recommend that Section 603 be made even more explicit.

One of the basic roadblocks to implementation of the rural development authorities is the matter of priority. As Congress stated in the 1970 Agricultural Act, rural development was to have the highest priority. And if this kind of priority had been given we doubt that we would be discussing this matter today. Because it has not had priority Congress intended it to have, there has not been any national plan or strategy developed; the agencies to which the authorities have been delegated have not been given the personnel necessary to do the job, and we are still waiting hopefully for the new administration to announce its intentions.

The matter of priority, in our opinion, is not an abstraction. It determines what gets attention and what does not. Therefore, whatever Congress can do to encourage the administration to give this the highest priority could prove very helpful. This rural development priority, we would hope, would be reflected in whatever reorganization the administration recommends. A simple but helpful example would be to change the name of the USDA to the Department of Agriculture and Rural Development and to have a subdepartment for rural development with equal status with other subdepartments and headed by a deputy secretary.

Presently the Farmers Home Administration is the agency that has the responsibility for most of the rural development programs. In addition it administers a number of farm credit programs. It is not logical to expect understaffed FmHA county offices to be able to effectively handle such an enormous workload which includes about 30 programs. This could create—and probably already has to some extent—a situation where farm and non-farm programs must compete for the limited time and attention of county office staff. And the same may be true in the state and national offices. Neither farm nor non-farm programs should be neglected or relegated to subordinate positions. To prevent this from happening, it may be necessary to separate farm and non-farm programs by restructuring FmHA or in some other way.

Moreover, the name Farmers Home Administration does not accurately reflect the present day mission of the agency. We would recommend that the name be changed to something more appropriate. But we would say again, that without high priority for rural development, no amount of reorganization of USDA or FmHA will result in providing ural areas with the assistance that is possible under programs already on the books.

Since FmHA, as we have said, has been delegated the main rural development responsibilities under the Rural Development Act and previous legislation, that agency's ability to do the job becomes paramount. Presently it is not in a position to carry out the kind of comprehensive, massive effort that was envisioned by Congress and that is necessary to have any real impact.

If we expect FmHA to be able to implement a comprehensive nationwide plan, among other things, it will have to expand its national office staff. This means more expertise in such things as research, planning and coordination.

Presently, the national office does not have enough of this kind of expertise. The staff is relatively small compared to the field staff—approximately 335 of a total of 7400 employees. If there is to be rural development strategy and goals, we must look to the national office to develop them. If there is to be better coordination of programs, internally and externally, we also must look to the national office. If there is to be research as directed by the Rural Development Act, the national office will have to do it. These activities which are essential to implementing the kind of rural development Congress intended, will require additional manpower. How many we do not know. Perhaps some of the work could be done by other USDA agencies or by outside firms under FmHA supervision.

Research is necessary if we are to get a better understanding of the dimensions of rural development in terms of the need for water and sewer systems, for housing, for jobs and for community facilities. Without this information, realistic goals cannot be set. Another aspect of research which FmHA should pursue, concerns finding better and more economical ways of supplying water and sewer service. Its approach in the past has been to finance hundreds of small isolated systems serving relatively few consumers. We believe that a sounder method would be the one which the Rural Electrification Administration used in electrifying rural America. This involved financing systems on a county or multi-county basis with portions of the projects constructed over a period of years. This would result in more viable water and/or sewer systems able to meet growing demands of their service areas and able to employ full time management.

We are also reminded that in the early years of rural electrification, REA developed more efficient and economical techniques for building electric lines. We believe that FmHA could do the same and develop less expensive techniques for supplying water and sewer services.

If the FmHA national office is to give direction, support and supervision that implementing nationwide rural development entails, then it will have to have sufficient personnel to maintain close and frequent contact with state and local offices. Also most state offices will have to have more manpower too in order to provide local offices with more backup.

In respect to state and county FmHA offices, it would seem obvious that FmHA has to build more flexibility into these staffs making it possible to provide extra manpower to county offices during peak periods. Moreover, some of the responsibility for programs might be shifted from county supervisors to district or state personnel. Specialists in housing, counseling, business loans, and in community facilities could be available to county offices from district and state offices on an as needed basis. These team of specialists could serve a number of county offices.

In regard to coordination: Several of the programs which FmHA administers are closely related components of rural development and should be so administered. At present, these major components such as housing, business loans, and community facilities, are under assistant administrators and are operated rather independently of each other. More cross fertilization would be useful, it seems to us. Therefore, we would think the agency should stress coordinating these programs so as to make them available as a package whenever possible. This would have more community development impact as well as create sounder investments.

In regard to external coordination, FmHA should coordinate its programs more closely with those of other federal agencies and those of state and local development organizations. As you will recall, the Rural Development Act specifically authorizes FmHA to participate in joint financing with other agencies. More extensive use of this authority could substantially supplement the assistance FmHA supplies.

In respect to training FmHA should provide its employees with extensive training, particularly in the non-farm programs. This could improve productivity of its staff and more quickly qualify new personnel to handle their assignments.

The agency should also assist in training those in charge of managing borrower organizations such as water and/or sewer associations. This could be critical to the success of many of these projects.

In respect to counseling, FmHA has been known as a borrower or consumer oriented agency since its inception. It has furnished counsel to its borrowers who are often unfamiliar with the intricacies of the obligations to which they are committing themselves. Not only is counseling a protection for the borrower, but it can help the agency to prevent delinquencies. To keep pace with the increasing volume of loans, the agency should expand and strengthen its counseling.

In respect to communications, the authorities assigned to FmHA under the Rural Development Act have expanded its clientele to the point where any individual or community interested in rural development will have to know about the agency's programs. This calls for more effective public information efforts on a number of fronts as well as a system to obtain more input from local people.

Monitoring: As a part of implementing rural development goals, FmHA must be able to closely monitor its programs in order to keep track of progress, problems and the use of resources. Information derived from monitoring would identify weak spots as well as strong points. In addition, it would give Congress the factual data from which to evaluate the needs of the agencies.

Health Care: The deteriorating health care system in rural America, which is evidenced by the growing shortage of doctors, dentists, and other health personnel, can adversely affect the revitalization of rural areas. It has serious implications for large number of rural residents especially the rural elderly and children. While Section 603 of the Rural Development Act would imply that USDA does have responsibilities in health care since it is charged with furnishing leadership and coordination of all federal programs, we understand that the Department of Health, Education and Welfare is not so persuaded. Section 603 should be revised to state this more specifically. Among other things, the USDA role could include monitoring the implementation of the National Health Planning and Resources Development Act and the Health Manpower Acts to determine how well they are serving rural areas.

Funding: In respect to funding for rural development, it has not been adequate. For example, in this present year only $350-million has been authorized for business and industrial development loans. The demand for these loans is substantially higher. We are encouraged to see that the House Appropriations Committee is recommending $1-billion for F.Y. 1978. The Congressional Rural Caucus had recommended $3-billion. Here is a program which involves no federal subsidy whatsoever in which local banks and other financial institutions are willing to provide badly needed capital to existing rural businesses or to new enterprises. This in turn could create thousands of new jobs. Similarly, there is a much greater demand for rural housing than the authorization of $3.7-billion which is a generous amount, but in our opinion, probably does not reflect the needs for both rental and individual housing in rural areas. While we do not know precisely, we would assume that this figure would permit FmHA to finance about 150,000 units. We are confident that this program could be doubled or tripled. Not only would it provide badly needed housing, but also create many new jobs in rural areas.

The amount of grants for water and sewer systems is well below what we believe is necessary to do the kind of job that will eventually provide these modern facilities to rural areas on something like an areawide basis. There are still thousands of rural communities without these essential services which are so closely related to quality of life and also to economic development. Nor is the loan level, $600-million, for water and sewer projects adequate, in our opinion. Nor is the amount authorized for community facility loans, $200-million.

However, unless the administration is willing to give FmHA more personnel and the Congress is willing to support such a request then it is not likely that FmHA can expand its programs which would be necessary if rural communities are to obtain the assistance that they need to help them solve the problems which this subcommittee is considering.

In conclusion, we would again emphasize that it gets back to a matter of priority. We have seen that the Congress in its 1970 commitment intended that rural development be given high priority. Over the past seven years, the administration has not done so.

We are encouraged by Secretary of Agriculture Bob Bergland's statement that he intends to "make the rural development mission of the department an active, ongoing function that means business." If he will do this the prospects of achieving a sounder rural-urban balance will be greatly enhanced. Moreover, the vast rural development potential of USDA authorities under the Rural Development Act and other legislation could substantially reduce unemployment in rural areas and thereby strengthen the economy of the entire nation.

In another attached resolution, the NRECA membership recommended several ways in which the rural development priority could be upgraded. We think these are sound recommendations and we would hope that this subcommittee would do whatever it can to encourage the administration and the Department of Agriculture to adopt them. They would go a long way in giving rural development the priority that it needs to fulfill the expectations of Congress as expressed in the Agricultural Act of 1970 and the Rural Development Act of 1972.

Thank you.

Attachment.

RESOLUTION ADOPTED AT ANNUAL MEETING OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION AT ATLANTA, GA., FEBRUARY 24, 1977

RURAL JOBS CREATION

The President has assigned top priority to the critical national problem of unemployment which will require millions of new jobs.

We believe that the rural development authorities of the U.S. Department of Agriculture could contribute significantly to reducing unemployment and underemployment in rural areas and thereby help the President achieve his goal.

USDA's rural development authorities, which have been successfully directed to halting rural outmigration, could now be focused on the creation of hundreds of thousands of jobs in rural areas where the unemployment rate often exceeds the national average. This could benefit urban areas as well since many rural people in search of employment migrate to the cities.

Under the Rural Development Act of 1972 and other legislation, USDA has the potential for unlimited financing of a broad range of job-creating enterprises including housing, community facilities of all kinds, business and industry, farming, electrification, telephony, health centers, telecommunications, conservation, and others. Most of this financing would be in the form of guaranteed or insured loans with minimal impact on the federal budget. This appears to us as the most cost-effective manner of stimulating the economy which the government could choose.

We urge the President and Secretary of Agriculture to develop a plan to mobilize and coordinate the resources of the USDA and its constituencies in a national effort aimed toward substantial reduction of unemployment. Moreover, USDA could enlist the assistance of other federal agencies under its authorities to provide leadership and coordination for all federal rural development.

The rural electric systems pledge their full cooperation in such an undertaking recognizing as they do its important to the lives of millions of Americans and to our nation's future.

UPGRADING RURAL DEVELOPMENT

It is generally accepted in government that priority determines to a large extent the attention and action that programs receive. Therefore, we urge that the USDA assign high priority to rural development in keeping with the Congressional commitment of 1970.

We are encouraged by Secretary of Agriculture Bob Bergland's recent statement that he intends to "make the rural development mission of the Department an active, ongoing function that means business" and that rural electric systems will be involved.

Besides helping to achieve a sounder rural-urban balance, the vast rural development potential of USDA authorities under the Rural Development Act and other legislation, could substantially reduce unemployment in rural areas and thereby strengthen the economy of the entire nation.

To upgrade the status of rural development in the Department, we recommend the Secretary take the following actions—

Announce concurrence in the Congressional commitment of 1970, and of his intention to fully implement the Rural Development Act of 1972 including the responsibilities assigned him by Congress for leadership and coordination of all federal rural development efforts;

Relocation of the leadership and coordination responsibilities in the Secretary's office from the Rural Development Service directly under the Assistant Secretary for Rural Development;

Elevation of the position of Assistant Secretary for Rural Development to Under Secretary;

Request loan authorizations and grants for fiscal 1978 commensurate with the needs of rural areas for jobs, for community facilities of all kinds, for housing and for essential services;

Develop a naitonal rural development plan as Congress directed USDA to do to be undertaken over a 10 year period reflecting the realistic dimensions of the task;

Restructure the Farmers Home Administration, the agency to which most of the rural development authorities have been delegated to enable it to more efficiently discharge these responsibilities;

Reactivate REA's technical assistance program as a means of maximizing the leadership potential of its borrowers in assisting community development projects; and

Establish a public advisory committee on rural development in USDA as a means of obtaining advice and recommendations from rural-oriented groups and individuals relating to USDA programs and policies, as well as a means of keeping rural public informed as to the Department's progress and problems.

Senator BENTSEN. Mr. Witts, you may proceed with your testimony.

STATEMENT OF DAVID A. WITTS, COUNSEL, TEXAS & SOUTHWESTERN CATTLE RAISERS ASSOCIATION, AND CONSULTANT, TEXAS DEPARTMENT OF AGRICULTURE

Mr. WITTS. I am David A. Witts. It is certainly a great honor for me to appear before this subcommittee. I will present my views on the major problems confronting rural America, how they were created, how they can be corrected, and some recommendations for the future.

Senator BENTSEN. You may summarize if you like, Mr. Witts.

Mr. WITTS. I personally regret Jerry Litton is not here with us today. That tragic accident deprived rural America of an intelligent informed spokesman. In 1973 he published an article containing a report written by me back in the pre-OPEC days. He believed it carried a message. I have attached his article to this testimony.

For background, the rural American is really unique. He keeps us in food at home and in solvency abroad. His strength is also his weakness. He is located out in the heartland away from the urban and intellectual centers. He is unorganized and inarticulate. American agriculture is the most important activity that occurs on Earth. Yet, we are oblivious to it. Why? It is so efficient and productive no one has had to worry about it except the people working on it.

First, rural America is land. It is a resource, the only renewable one we have. It is a capital asset. If it were not for the increase in the value of his land, which in annual spring rights he hocks each year to stay in business, most farmers and ranchers would be gone. But a cloud of master planners has suddenly darkened his land. Assuming they are well intentioned, I think certain hard questions should be asked. Is comprehensive land planning a science or is it strictly subjective? Has it ever been successful in all of history? The planners often reverse themselves as they did in the mass transit and suburban growth areas.

What would happen to our rural lands if the planners were wrong again? You can't bus a piece of land back and forth every day.

Federal land use planning (FLUP). The initials tell you why that program has never been nicknamed. It all started so simply—the third run out of the chute—but instead of condemning rural people as polluters of water and desecrators of the land, they have charged back with the current act.

It is called the Conservation Act, to encourage conservation of natural resources and to promote prime agricultural lands.

The rhetoric is more sugar coated but the effect still shines through. The planners say only they can prevent urban sprawl. The response to these entreaties is simple: Sprawl occupies only 1 percent of our land area. During the past 60 years half of our cropland has been retired. Sure, there may be spots along the east coast where farmland has been paved over. But the whole Nation should not be FLUP'd because new roads were built in those agricultural bastions of New Jersey and Delaware.

The USDA has ample information which shows that we have insured sufficient domestic land for our food and fiber needs until the year 2000.

Since they were unable to find the factual justification for FLUPing the country people, they concocted a new theory called the public trust doctrine.

Here it is. Our prime agricultural lands are vested with sufficient public interest to impose the obligation of a trustee for the public benefit upon the "nominal" owners.

One fact stands out: Land is local, agriculture is local and land planning for agriculture must also be local.

Second, as important as the land itself is water. Without it nothing grows and no one lives. Like oil, water is a finite resource being mined out every day. Every area of our country has been hit by drought.

I have an exhibit attached in which I point up that. Yet our only water policy, like our energy policy, is negative. The administration has taken a meat-ax approach to new water projects in the name of economy while blowing billions on make-work public service jobs.

Why couldn't some of that be spent on assets permanent and vital such as reservoirs, dams, and water conservation projects?

The other side of that ax is the mesalliance between environmentalists and judges. I have no idea of the number of water projects killed by nothing more than a plaintiff's petition.

To think a snail darter or furbish lousewort could convince man that he should never again disturb his environment, and that after eons of time evolution must end, makes you think you're at the Mad Hatter's tea party and somebody isn't playing with a full deck.

I hope Congress will believe that man, food, and water are at least as important as the side-blotched yuda, black-footed ferret, and kangaroo rat. They can't even vote.

There is a growing claque from the instant experts that water and energy for agriculture are dispensable.

Senator Bentsen, you detected this some time ago when commenting on the National Water Commission report you said, "Another disturbing aspect is the apparent bias against agriculture . . ." in that report.

Here is an arena where Government can perform. Water cannot be created, so the only solution is to divert it from surplus to shortage areas. Much of the planning is complete to divert the Mississippi River water westward.

Canadian and Alaskan water can travel down a river highway through Canada into America. Planning has been done on that.

Sure, conservation would help, particularly in the urban areas which don't even meter water to many individual users; but, conservation doesn't create; it only rations.

Third, is energy. John White, Deputy Secretary of Agriculture properly positioned energy when he said, "There are more than 50 million rural Americans whose energy needs are different than those of urban Americans."

Not only are the energy needs of rural America different, but they are mandated.

We cannot switch to coal. We can't walk to work and we can't train all those coyotes to pull a plow. The gospel of conservation won't save us because we don't waste. Nobody ever went joyriding on a tractor or left air-conditioning on in a pasture.

Gasoline shortages will hit us below the belt. There is probably not a family farm in America where somebody doesn't work in town to support his habit.

There is a compelling analogy between energy producers and food producers. In both a handful of producers must satisfy a Nation of consumers. Neither food nor energy can grow in a vacuum. When you fix their prices but not their costs you discourage production, dry up supplies, dislocate cycles and wind up hurting consumers.

Rural people are realists. They respect history knowing if you don't learn from history you may not have a chance to repeat it.

Their understanding of the energy problem is historical and factual: In 1938 Congress passed the Natural Gas Act, saying the provisions of this act shall not apply to the production of natural gas.

Seventeen years later the Supreme Court, in a five to three opinion, said what Congress really meant was that the act shall apply to the production of natural gas.

In 1955, I worked for the Natural Gas and Rural Resources Committee which warned consumers about price fixing.

Some of the exhibits in my prepared statement portray a panel I used in 1956. This panel shows what would happen: It says the producer would go out of business, the consumer have less gas at higher costs, business would move or shut down and the Nation would face a fuel shortage.

Congress, as you know, passed the Fulbright-Harris bill, but it was vetoed for unrelated reasons.

What has happened in the interim? Continued governmental pricing of natural gas encourages use—waste—and discourages production. Government thereby forced the Nation to commit an unnatural act.

In April 1977 we were told that the energy program was going to be the equivalent of war. War was declared but it will apparently be fought with ballots not bullets because the buzz word is conservation. Nobody can attack conservation or motherhood. But production is ignored.

At the very time utilities are told to switch back to coal Congress simultaneously succumbs to environmental sorcery against mining coal thus forcing the Nation to again commit an unnatural act.

I tried to get somebody to explain why we pay $15 for OPEC oil but only $5 for domestic oil. All I hear is mumbo-jumbo about windfall profits. What if there are profits? At least they stay in our economy instead of winding up in a Swiss bank. Besides, if a company makes a profit, only three things happen: It goes back in the ground looking for oil and creating jobs; or is paid out in dividends, or it goes for taxes.

The fourth point is bureaucratic overburden. Having fought a revolution to rid ourselves of government officers, the Bicentennial has brought us full circle.

Certainly, it wasn't the intent of OSHA to put farmers in the portable privy business. It wasn't the intent of the Environmental Act to set standards that didn't exist in the Garden of Eden or put jackasses, fireants, and coyotes on welfare.

The BLM was never intended to write letters confiscating grazing rights. I recently received one from a BLM office proclaiming, "as a result of an environmental lawsuit it is my decision that grazing capacity in this project will be reduced."

Senator Howard Cannon and 15 other Senators requested an investigation of the BLM. I hope you will support that request.

Rural America is pulverized by bureaucratic overkill.

The fifth point is price fixing. Nothing government does is more harmful than when it sallies forth periodically and pleasures itself by fixing farm prices, but not costs.

Historically, that exercise has always come a cropper.

During the time of Valley Forge, George Washington's troops weren't hungry because there wasn't enough food. It was because the Pennsylvania Legislature fixed prices. The Continental Congress amended that with a resolution repealing all price fixing.

Rural America is not alone in this experience. The three main causes of today's world food shortages are Russia, China, and India. Pre-Communist Russia was a net exporter of food. After the Kremlin's agricultural "divestiture" program 40 percent of the people now work on the farm but can't feed themselves.

China's great leap forward into communism left behind the potential to feed its people.

India's Ms. Ghandi "redistributed the wealth" by government land planning and fixing farm prices. With no incentive to produce, the people stayed in bed, obviously.

Black Africans don't recognize private property rights in land. Their only motivation is to overgraze the land before someone else does.

Embargoes are a virus just as virulent as price fixing.

Six. farm policy should be distinguished from farm markets.

Political attempts to force a shotgun wedding of income to market have hatched a bastard progeny.

It is one of history's ironies that much of our productivity today was turned on by the New Deal brain trust who decided the way to raise farm income was to reduce supply. So Henry Wallace and his accomplices plowed up crops and killed pigs. All the farmer did then was produce more on less land.

The free market is a better planner than a bureaucrat. Through millions of individual decisions made by millions of buyers, the market is a computer that is smarter, more sensitive and has a better memory than any itinerant government agency. The free market works 24 hours a day, 7 days a week and not from 9 to 5, 4 days a week, minus paid vacation and a two-martini lunch.

If farm income is a political goal, then that goal line can be crossed without emasculating the market. Income can be distributed outside the market system through realistic target prices, deficiency payments, guaranteed operating loan programs, emergency credit and bringing new capital to rural areas.

is a computer that is smarter, more sensitive and has a better memory

Point seven is rural credit. The USDA just published a survey of 400 bankers in nine States showing income and credit to be major problems. Loan demand is up, deposits are down. Low cattle prices, droughts, and skyrocketing operating costs are forcing farms into bankruptcy or liquidation to pay debts. The walking wounded don't have collateral for new financing.

My eighth point, "How you gonna keep 'em down on the farm?"

Rural life is hardscrabble and you either love it or leave it. Most have left it. The average age of the farmer is 54. Where is his replacement coming from? Without nonfarm jobs, what chance does rural America have to keep, or even attract, skilled workers, college graduates, professional people?

But you are going to have to legislate that some of our land is also suitable for human habitation, as you finally had to do for the Alaska pipeline.

God created heaven and Earth and was then sued for failure to file an environmental impact statement. Nondegradation rules of EPA ban development in rural areas that are clean—and in cities that are not. No growth buffer zones seal off acres by the thousands. Wilderness areas, scenic easements, wild rivers, endangered species all take their toll. Mining, forestry, grazing, fishing, power, and energy projects are canceled or abandoned.

But these regulators are not responsive to profit and loss. They assume economic authority but are not accountable for how they use it.

But no price tag can be put on the gravest consequence of all. People are also a part of the environment. We didn't come here from another planet. It's the people who are now endangered. To stop growth is to die. Evolution doesn't suspend, it moves, it adapts, it trades off. Otherwise, dinosaurs would still be frolicking in the Tidal Basin.

You can't pass a law that says we want clean air and then leave its interpretation and enforcement to that army of nameless, faceless people who can't be seen, can't be hired, and can't be fired. Our progress, our survival is also entitled to your legislative oversight.

Nine, the family farm. Before Ray Marshall was anointed Secretary of Labor, he authored the report "Status and Prospects of Small Farmers in the South." Released this month, it makes trenchant observations:

First, our agricultural policy, or lack of it, toward the small farm, has driven thousands of farmers off the family farm and stranded them in urban misery;

Second, this has taken a disproportionately high toll in the South, where most family farms are located and particularly among black people;

Third, this results in increased urban congestion, problems and costs, plus unemployment in rural areas;

Fourth, the promised efficiency of large-scale farming is challenged as not considering lost taxes, welfare, unemployment, crime and urban decay resulting from displaced people.

"Big is better" doesn't necessarily hold true in agriculture.

The conclusion compelled by this report is that there should be a new look at Government policies which drive small farmers out of productivity or into already overburdened cities. Senator Bentsen popped to this conclusion some years ago when he said, "The family farm is essential to maintaining competition and it is more efficient than any other kind of farm."

My tenth point is research. Senator Bentsen says that for years this country reaped benefit in food abundance and low prices from agricultural research.

In 1954, 10 percent of the USDA budget went for research. Today it is about 1 percent. Today the research is all defensive, given over to force-feeding rats and trying to invent a food that doesn't cause cancer.

Then we have rural labor. Remoteness, distance, special skills and seasonal interruptions are the job conditions. It is not easy to find domestic labor who can break horses, build fences, pick cotton, or dig potatoes. Nature doesn't wait on man or comply with court orders.

There is only one time to plant and one time to harvest. Miss that time and it's all over till next year. Congress should recognize that whenever domestic labor is not available rural areas require that domestic and alien labor laws be flexible and workable to comply with local and emergency situations.

To conclude my remarks, 20 years ago America was warned, responsibly and publicly, of an impending energy shortage and its consequences. Those prophecies were ignored. The prophets in turn became the pariahs.

Having decimated energy producers, the same groups have turreted their weapons on the food producers. Rural America has too much land, too much water, so some of it must be regulated away to achieve "meaningful social objectives."

Restated, the Gay Deceivers who brought us an instant fuel shortage are now loose in the kitchen cooking up an instant food shortage.

Land, water, and food cannot be imported. We ignored the energy shortage until we ran out of gas. It would have to be diagnosed as a terminal case of the dumb-dumbs to make that same mistake twice.

The energy-inflation-shortage syndrome cannot be stopped until:

First, the food producer is encouraged to stay on the land and produce;

Second, the consumer is left with money to make purchases and investments;

Third, we make the national decision to become energy producers and food exporters;

Fourth, our dollars get off the one-way street to OPEC.

By so doing, America can lead the world into a golden era of peace and prosperity.

Thank you.

Senator **Bentsen**. No one has ever doubted where you stood. [Laughter.]

You are an articulate spokesman, Mr. Witts. I appreciate very much your comments.

[The prepared statement, with attachments, of Mr. Witts follows:]

PREPARED STATEMENT OF DAVID A. WITTS

My name is David A. Witts, 5353 First International Building, Dallas, Texas 75270. I am an attorney. I serve as counsel to the Texas & Southwestern Cattle Raisers Association and as Consultant to the Texas Department of Agriculture. However, my appearance today is as an individual. It is one of the great honors of my life to appear before this blue ribbon Congressional Committee. Having given much thought to this appearance, I will present my views on:

1. The major problems confronting rural America.
2. How they were created.
3. How they can be corrected.
4. Some recommendations for the future.

I so regret that Jerry Litton is not with us today. The tragic accident which claimed his life cut short a brilliant Congressional career and deprived rural America of an intelligent, informed spokesman. In 1973, he published an article containing a report written by me in the pre-OPEC days. He believed it carried a message. I have attached his article to this testimony.

BACKGROUND

The rural American is unique in all history.—He encountered a strange and savage land, so hostile it couldn't support a handful of Indians and transformed it into a larder that feeds not only 200 million Americans but much of the world. He made America the best-fed, best-clothed nation in history and at the lowest cost. (Americans spend 16% of their income on food compared with 50 to 90% elsewhere.) His agricultural exports of $24 billion pay our foreign oil bill.

As the farmer is unique, so is his business.—He works a non-interruptable shift for 365 days without strike benefits. His commodities are not produced in a man-made industrial complex. They are not picked off an assembly line. Instead, they are the handi-work of millions of individuals on millions of acres—all of which are different. It is up to him to keep us in food at home and solvency abroad.

Weakness.—Any comprehension of what the rural American achieves for us and for the world should entitle him to be recognized, respected—even revered. Yet his strength is also his weakness. Located out in the heartland, away from the urban and intellectual centers he is alone, unorganized and inarticulate. Never has he been named Man of the Year. PR is not in his budget. He is attacked by consumers and environmentalists. Media hostility rains down on him. Politically he is a eunuch. (Europe and Japan, being food deficient, are as solicitous of their rural residents as we are calloused and indifferent).

American agriculture is the most important activity that occurs anywhere on earth. Why are we oblivious to it? It is so efficient and productive that nobody has to worry about it except the people who operate it. However, you don't have to be interested in farmers to be interested in America. We're only a heart-beat away from starvation. Stop that pulse-beat and you've killed our nation.

I. LAND

Rural America is land.—It's a resource, the only renewable one we have. It will be here long after the last oil well has dried up. It's a capital asset. If it weren't for the increase in the value of his land, which in annual spring rites he hocks each year just to stay in business, most farmers and ranchers would be long gone.

Master planners.—Now that the wilderness has been conquered and now that the great bread machine is functioning so smoothly that one farmer provides food and fiber for fifty consumers, a cloud of master planners has suddenly darkened his land. Assuming they are well-intentioned, certain hard questions must be asked:

(*a*) Is the planning for rural America done by people who live on, produce from and know the land, or by those perched in far away air-conditioned sky-scrapers?

(*b*) Is comprehensive land-planning a science, or is it strictly subjective?

(*c*) Has it ever been successful in all history?

(*d*) Can anyone improve on the most efficient food and fiber producing system ever devised?

(*e*) Do planners often reverse themselves? In the past, city governments ruined private transit systems by denying fare increases. Now planners demand billions for mass transit systems. Land planners fostered suburban growth by FHA home financing and freeway construction. Today those planners squander billions on urban renewal.

(*f*) What would happen to our rural lands if the planners were wrong again? They can't bus a piece of land back and forth every day.

Federal land use planning (FLUP).—The initials tell you why this program has never been OSHA'd or EPA'd.

It all started out so simply. In 1972, a little FLUP Act was proposed, modestly budgeted. Rebuffs drove it back to the drawing board. But the intriguing opportunities to get their hooks in every inch of land in America titilated the salivary glands of planners and environmentalists. They next sallied forth with the Land Use Planning Act of 1973, frankly admitting its purpose was "to establish land use policy." Emboldened, this time the FLUP Act said property owners damn well better do what big brother says or the Feds will cut off their highway and water funds. FLUP didn't excite urbanites, who are mostly planned already. So it was up to rural America to plug that dike, which they did.

Against FLUP.—Seeing the hard core opposition to FLUP come from rural areas, the planners fell back and regrouped. Instead of condemning farmers and ranchers as polluters of water and desecraters of earth, they did a 180 and charged back with the Land Use & Resource Conservation Act of 1975, now chastened "to encourage conservation of natural resources" and "to promote prime agricultural lands." Although rhetoric became sugar-coated, the intent shone through. The FLUPers now said only they can prevent urban sprawl and only they can protect prime agricultural land.

The response to these entreaties, however, is annihilatingly simple:

(*a*) As for sprawl, urban areas occupy only 1 percent of our land area. Cities over 25,000 occupy only ½ of 1 percent of land. Never has land been used more efficiently than that.

(*b*) During the past 60 years, half our cropland has been retired, but is still available to be brought into production if needed.

There may be spots along the East Coast where farmland has been paved over, but the whole nation should not be FLUPed because new roads were built in those great agricultural bastions of New Jersey and Delaware.

When next you hear those FLUPers singing "save our farms", please assure them:

"Thousands of acres of farmland are taken from food producers each year by urbanization, etc . . .Fortunately, our increasingly efficient agricultural technology and management enable farmers to produce more on less land. This should insure our domestic food and fiber needs to the year 2000—with enough left over to increase exports . . . In addition to the current cropland base, 246 million acres are considered suitable to be reclaimed for regular cultivation." [1]

or that:

"U.S. population has increased 40 percent since 1950, agricultural output has more than matched that to supply increased consumption per person, as well as increased exports. Land for urban use has doubled since 1950, but still takes only 1½ percent of our land area." [2]

or that:

"At the national level, urbanization has not greatly encroached upon the total supply of U.S. land for crops . . . More new cropland was developed, in fact, than was lost to urban development." [3]

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[1] Farmland Resources for the Future, Bulletin 385, U.S.D.A. Economic Research Service, April, 1975.

[2] Farmland, Will There Be Enough, U.S.D.A. Economic Research Service, ERS 584.

[3] Dynamics of Land Use in Fast Growth Areas, U.S.D.A. Economic Research Service, Report 325, April, 1976.

The public trust doctrine.—Unable to find factual justification for FLUPing country folk, these FLUPers have concocted a new theory. It holds:

"*The evolution of our society has elevated our prime agricultural lands to the level of public property subject to equitable protection on behalf of the people of the U.S.* . . . Prime agricultural lands have become so important to the welfare of the people of this generation and those generations yet unborn that they are vested with sufficient public interest to impose the obligation of a trustee for the public benefit upon the nominal owners."[4]

The American Society of Planning Officials heard at their 1977 meeting:

"Land must be regulated as a public trust . . . Bitter opposition to planning rooted in the profound and emotional attachment to preservation of private, individual control over the use of land has led to the weakening of successive Federal Land Use proposals."[5]

In all this FLUP one fact remains unanswered and unanswerable. No government, no agency, no individual has ever been smart enough to plan for 200 million people and three billion acres of land. Since government already owns one third of the land, it should go practice on its own field first. Land is local, agriculture is local and land planning must also be local.

II. WATER

Important as the land itself is water.—Without water, nothing grows and no one lives. But like oil, water is a finite resource being mined out every day.

Rural America, the principal user of water, is vitally concerned.—In the West, most water is devoted to agriculture. The largest irrigated agricultural area in the world is the High Plains, the old Dust Bowl, which was born again by irrigation from the Ogallala Aquifer. That underground reservoir which took thousands of years to fill, is depleted after thirty years of use. In about three more years, it will be impractical to tap that Aquifer because the dropping water level combined with the climbing cost of fuel to lift it, will revert the area to dry land farming (read, lower yields and fewer crops). In 1975 it cost $250 a month for gas to irrigate 100 acres; today it is $700.

Every area has been hit by drought.—(Exhibit 1) Rationing is now. The wolf is at the door. Yet our only water policy, like our energy policy, is negative. This Administration has taken a meat-axe approach to new water projects in the name of economy, while at the same time blowing $4 billion on make-work public service jobs. Why couldn't some of that be spent on assets permanent and vital such as reservoirs, dams and water conservation projects? It's not that we aren't grateful for the much publicized eviction of chauffeurs from limousines and restricting cabinet officers to photos instead of oil portraits, but we hope these savings aren't offset by make-work jobs for those city folks that can't read all the help-wanted ads.

Dams demolished by courthouse.—The other axe blade is the mesalliance between environmentalists and judges. I have no idea the number of water projects killed by nothing more than a plaintiff's petition. The Wallisville Dam near the mouth of the Trinity River, to hold water for rice farmers, was shut down in 1972 when three-fourths completed. That injunction still stands today and has been expanded to stop other Trinity projects as far away as Lakeview Reservoir in Dallas and Aubrey near the Oklahoma border.

Dams in Tennessee, Maine, Oklahoma and Minnesota have been arrested. To think that a snail darter or furbish lousewort could convince man that he should never again disturb his environment, and that after eons of time evolution must end, makes you think you're at the Mad Hatter's tea party and somebody isn't playing with a full deck. I hope you believe that man, food and water are at least as important as the side-blotched yuda, black footed ferret and kangaroo rat. They can't even vote.

Underground water is being spent faster than it can be replaced.—Supplies are inadequate for the present and unobtainable for the future. Without water the irrigated farms must revert to dry land status. That translates into less food at higher costs. If it also means the end of farm exports, then America is destined to turn cold and gray, because without those food dollars there's no OPEC oil, and without oil—try that scenario on for size.

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[4] South Dakota Law Review, Summer, 1976, Vol. 21, Farmers, Freedom & Feudalism by John McClaughry, p. 511.

[5] Land Use Planning Report, May 2, 1977, p. 139.

Rural America is a disadvantaged minority.—There is a growing claque from instant experts in the left field bleachers that water and energy for agriculture are dispensable. This time it's "take from the few and give to the many;" Senator Bentsen detected this strain some time back when, in commenting on the National Water Commission Report, he said:

"I think it is a serious mistake to ignore the future of rural development. . . . Another disturbing aspect is the apparent bias against agriculture." The Report says "Using less water for agricultural purposes would release a fairly large supply of water for industrial, urban and other areas." Senator Bentsen says "reducing farm water 20 percent doesn't mean 20 percent less crops—it means *no* crops."

Here is an arena where only Government can perform.—Since water cannot be created, the only solution is to divert water from surplus to shortage areas. Much of the planning is complete to divert Mississippi River water westward. A near permanent solution could be bringing south Alaskan and Canadian water now wasting into the Pacific and Arctic Oceans. Excess Alaskan water can travel down a river highway through Canada into America (and even into Mexico who now has surplus oil to help pay the water bill). Planning for this project commenced in 1964 by the North American Water and Power Alliance. It would deliver 17 times the annual Colorado River flow. Power plants built along the way would produce as much electricity as 100 nuclear plants. Sales of power and water are bankable. The engineering is simple compared to the Manhattan or Space projects.

Water crisis can still be prevented.—Bringing water to where it was needed turned rural America into farmer for the world. But as Ben Franklin said, "It's only when the well runs dry that we know the worth of water." Now tnat massive crop failures, water rationing and power shortages are upon us, we ask you not subject us to this crisis which only you can prevent.

Sure conservation would help, particularly in urban areas which don't even meter many individual users, but conservation doesn't create. It only rations. What is needed are new supplies—admittedly a big jump. But nobody ever crossed a moat in two small jumps.

III. ENERGY

John White, Deputy Secretary of Agriculture, properly positioned energy, saying "There are more than 50 million rural Americans whose energy needs are different than those of urban Americans."

Rural energy needs mandatory.—Not only are the energy needs of rural America different, they are mandated.

"It is technologically impossible to substitute for natural gas used in fertilizer production. Moreover, conversion costs make it impractical to use any other fuel for irrigation." [6]

We can't switch to coal, we can't walk to work and we can't train all those coyotes to pull a plow. The Gospel of Conservation won't save us because we don't waste—nobody ever went joy-riding on a tractor or left air-conditioning on in the pasture.

Gasoline shortages will hit us below the belt.—There's probably not a family farm in America where somebody doesn't work in town to support his habit. Not having car pools or mass transit, driving is the only way we can get to work, whether in town or on the range. All those cosmetic platitudes about windmills, insulation, grains for fuel, manure for fertilizer, and solar energy hold about as much reality as their concomitant panaceas do for cities. We already use solar energy exclusively for plant and animal production.

Compelling analogy between energy producers and food producers.—In both, a handful of producers must satisfy a nation of consumers. Both are high risk, no guarantee ventures. Both are extracted from the earth. Both require a long time from planning to production—for instance, if you told me today to produce a steak dinner it would take four years, the time required to raise a cow and bull to breeding age, gestation, weaning and feeding out to slaughter. Both funned us on a honeymoon of cheap food and energy. Both have common detractors. Both have poor public images—rural people looked down on as hicks, while even the Mafia has better PR than oil companies. Both have grave political maladies that, if not terminal, will require a long recuperative period—longer than the next election. Both then require political courage not cowardice.

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[6] John Berry—U.S.D.A. Economic Research Service, May, 1977.

Neither food nor energy grow in a vacuum.—When you fix their prices, but not their cost, you discourage production, dry up supplies, dislocate cycles and wind up hurting the consumer in whose name the political charade is always launched.

There are also differences.—(a) oil and gas are finite: agriculture is renewable; (b) oil and gas have alternative sources. So long as we have something to pay the OPEC ransom with and so long as we subsidize foreign oil by importing it at the world price, they'll continue to sell it to us—with periodic price escalations of course. But if on your way home tonight you stopped at the supermarket to buy supper and all the shelves were empty, where would you go? Where would anybody go? There's no OPEC grocery store!

Rural people are realists.—Everyday they deal with facts—not fantasies. They respect history, knowing that if you don't learn from history, you may not have a chance to repeat it. Their understanding of the energy problem is historical and factual:

1. 1850. First fuel crisis occurs when lamps burned whale oil. As demand increased, prices rose. There being no federal whale oil department, the free market develops coal and crude oil.
2. 1938. Congress passes Natural Gas Act saying: "The provisions of this Act shall not apply to the production of natural gas."
3. 1954. 17 years later Supreme Court in 5–3 opinion decides Natural Gas Act shall apply to production of gas.
4. 1954. "We must recognize that our greatest weakness is our dependency on very distant countries across the major oceans for our resources and pursue intensively our search for resources here at home." Senate Minerals, Materials and Fuels Economic Commission, Senator George Malone, Chairman.
5. 1954. Malone Report ignored. Instead, federal price controls clamped on natural gas.
6. 1955. Presidential Advisory Committee on Energy Supplies and Resources Policy says to assure adequate supply of gas at reasonable price, federal government should not control gas production.
7. 1955. Natural Gas and Oil Resources Committee warns consumers about price-fixing. I worked as counsel on this Committee and being a string-saver, still have some of the exhibits used then. Here's one which was pathetically prophetic—a display showing what would happen if price controls continued: Producers would go out of business; consumers would have less gas at high cost; business would move or shut down and the nation would have a fuel shortage. (Exhibit 2)
8. 1956. Congress passes Fulbright-Harris Bill decontrolling gas. Eisenhower vetoes Bill, not on merits, but because of political shenanigans.
9. 1956–1972.
   - (*a*) Continued government pricing of gas below replacement cost encourages use (waste) and discourages production. Government thereby forces nation to commit an unnatural act.
   - (*b*) Most independent producers go out of business because their costs rise while their price is frozen.
   - (*c*) Major companies shift operations overseas where production sold on open market.
   - (*d*) Price-fixed natural gas becomes a boiler fuel. Coal, which should be used for boiler fuel, ignored.
   - (*e*) Government encourages utilities to switch from coal to fuel oil.
10. 1973. OPEC Embargo.
11. 1973. Federal Energy Administration established as "temporary." Staff grows from zero to 4000. Positive accomplishments remain zero. Negative accomplishments: imports increase; production declines; price-fixing continues.
12. February, 1973. S. David Freeman, Ford Foundation: "The energy crisis could well serve as a smoke screen for a massive exercise in picking the pocket of the American consumer to the tune of billions of dollars a year." May, 1977, S. David Freeman, now Schlesinger's aide, instructs oil industry to end its opposition to federal controls. (bad case of deja vu)
13. 1974. Ralph Nader says world is drowning in oil.
14. 1974. Election year—nothing happens. Vast political disinclination to tell 200 million consumers there's no such thing as free lunch. Oil producers attacked as "obscene."
15. 1975. Production still ignored.

16. 1976. Election year. Everybody talks about energy, nobody does anything about it. Cold winter awakens nation from mental hibernation. Lip service frothing. New England governor says my people will go cold before they risk contamination of oil drilling along their coast.

17. February, 1977. Interior Secretary blocks drilling off Alaska and off East Coast.

18. February, 1977. Judge Weinstein cancels New York and New Jersey offshore leases. Says 4,043 page environmental statement "not enough."

19. April, 1977. Big PR build up for energy program advertised to be "so tough will be moral equivalent to war." (Show me a war won by morals and I'll show you a page from fantasy, not history). War declared! Will be fought with ballots, not bullets. Buzzword is conservation. (Nobody can attack conservation, motherhood or apple pie, but nobody ever conserved themselves into abundance either). Production still ignored. Utilities told to switch back to coal. Congress simultaneously succumbs to environmental sorcery against mining coal, thus forcing nation to again commit an unnatural act.

20. 1976 Tax Reform Act guarantees OPEC Cartel it can't be broken by American producers.

21. April, 1977. Administration "energy package" submitted to Congress. Five Committees now working on taxing gasoline, miniaturizing cars, redistributing income, rebating taxes and insulating houses. Nobody working on producing oil and gas.

22. April, 1977. CIA Report disagrees with Nader. Says world will run short of oil in early 1980s.

23. May, 1977. Schlesinger says: "$1.75 is substantial price for gas and will bring forth new gas." (Query: Where will it bring it forth from, since can't buy new gas now for $1.75?)

24. May, 1977. President halts breeder reactor program. Rest of world speeds it up.

25. June, 1977. Government expert vs. government expert. Congressional Budget Office says "energy problem" shock won't be as great as OPEC shock (400 percent). Office of Technology Assessment says "problem is so grave it contains the seeds of depression, revolution and even World War." (OTA Report, like the contents of Orlando Letelier's briefcase, seemingly did not have significant news value).

26. June, 1977. Conservation Gospel defiled by FEA Report that oil imports 40 percent above last year and gasoline consumption headed for all time high.

27. June 7, 1977. House Energy and Power Committee votes to ban sale of any home not federally certificated as energy efficient. Votes nothing about energy production but does guarantee a federal inspector for every home.

28. June, 1977. Senate passes Department of Energy Bill (DOE) to consolidate existing agencies. Principal Congressional concern voiced over Baby DOE is how many bureaucrats 1, 3 or 15 to be given job of fixing prices. Will employ 20,000 bureaucrats. Baby DOE's first budget will start at $10 billion. (To get $10 billion in perspective it is: (a) double the cost of all oil imported from Saudi Arabia last year; (b) exceeds total drilling and capital expenditures of all oil companies in 1975; (c) exceeds by $800 million profits of seven largest oil companies in 1974 when they were "obscene"; (d) equal to $3 a barrel of domestic production, so could de-control all oil prices and still have an oil bill lower than DOE bill.

Government is the cause, not the cure of energy shortages

I have tried to get somebody to explain why we pay $15 for OPEC oil but only $5 for American oil. The "answer" is mumbo jumbo about windfall profits. So what if there are profits? At least they stay here and get back into our economy instead of in a Swiss bank. Besides, if a company makes a profit only three things can happen: it goes back in the ground looking for oil and creating jobs; or is paid out in dividends; or goes for taxes.

We have drifted into a system where political decisions rather than free market decisions regulate our food and energy. We focus on short term demand rather than long term consequences. Politically we are mediating between interest groups when we should be reviving a sense of nationhood. This could be the Achilles heel of America. It's not too late to turn back. With the prestige this Committee enjoys, it could lead the way.

IV. BUREAUCRATIC OVERBURDEN

The indictment of King George III in the Declaration of Independence accuses: "He has created a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance." Having fought a Revolution to rid ourselves of government officers, Bicentennial has brought us full circle. The new swarms are attracted to the area of least resistance—rural America. Already over-regulated, over-taxed and over-worked, now comes still more mayhem and muggery. Poverty of concept will be corrected by strength of administration.

"Experience should teach us to be most on our guard to protect liberty when government's purposes are beneficient. . . . The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning, but without understanding." Justice Brandeis.

Laws are not interpreted, administered or enforced by the people who write them.—Once a law leaves your hands, the goal-setting is over and done with. The effects of the law are determined by regulators, agencies, administrators, judges and anybody else that can get in the act.

1. It wasn't the intent of OSHA to put farmers in the portable privy business, admonish them that manure is slippery and issue cotton dust standards that will price us right out of the world market. (OSHA loves synthetics, which use five times the energy required for natural fibers).
2. It wasn't the intent of the Environmental Act to set standards that didn't exist in the Garden of Eden, or put jackasses, fireants and coyotes on welfare.
3. The Food Stamp Program was never intended to increase 800% in four years, or obtain academic accreditation.
4. The Corps of Engineers was never intended to preside over streams, gulleys and stock tanks.
5. Willy-nilly banning of pesticides and fertilizers was never intended to lower food production and increase costs.
6. The Forest and Rangeland Resources Planning Act was intended merely to inventory the National Forest System. But the Forest Service's in-house interpretation awesomely announced that they will "affect two-thirds of the nation's land area" and "will determine the direction and investment in forest and rangeland for the immediate future and for decades to come. Not bad for a little agency whose principal spokesman, heretofore, was Smokey The Bear.
7. The FDA was never intended to hike grocery bills a quick five billion by banning antibiotics for cattle and poultry.
8. The BLM was never intended to write letters confiscating grazing rights vested since the Taylor Grazing Act. I recently received one from a BLM office proclaiming: As a result of an environmental lawsuit, "it is my decision that grazing capacity in this project will be reduced by 210 AUMs." Ex Cathedra. Senator Howard Cannon and fifteen other Senators have requested an investigation of the BLM—we hope you will support that request.
9. *Consumer Protection Agency.*—In the name of consumers, a new breed of cow has developed. Unlike old Bessie, they milk the people. Can you think of a single activity or product that won't come under the sweep of this proposed bureaucracy? Inherent conflicts will exist, e.g., ban DES for cattle but okay it for birth control pills; flame-proof children's pajamas, but ban TRIS; decriminalize marijuana, but confiscate apricot seeds. Before government births another sacred cow, it should first learn how to deliver mail.

Making everything safe, pure and beautiful is a hard goal for politicians to quarrel with. But the effects of a law get out of hand faster than money. Nobody wants to kiss property rights goodbye in the name of purity.

Rural America is pulverized by bureaucratic overkill.—While urban America is equipped for life, liberty and the pursuit of litigation, the rural resident is not. He simply can't afford to seek redress when ground under by the Great Planning Machine. Ten thousand angels standing on the head of a pin, all proclaiming the justice of his claim, will do him no good if he cannot afford to summon them in his behalf.

Example of the TAC.—Senator Kennedy, I have watched with interest the work of your Committee concluding that CAB Regulations lead to airline fares that are too high and profits that are too low. As a member of the Texas Aeronautics Commission, I would like to tell you our approach to bureaucratic overburden. We will certify a carrier once it shows a need for service. We allow management to operate without superimposing our non-expertise on them. Our reporting requirements are minimal so the public won't have to pay for a paper blizzard, all wind, no rain.

Southwest Airlines, the Texas carrier with which you are familiar, is profitable and popular. Our Legislature just passed a law validating its route awards. The reason for Legislative support is simple: fares are the same as in 1971; service has increased 100% and the public saves $60 million a year. My point is that we could have laid the dead hand of government on the airline business and burgeoned our own bureaucracy. But why? We don't know as much about running an airline as the owners do. We don't know as much about what the public wants as they do. And I don't think rural America can be run from the protected enclave on the Potomac as well as the people who are out there living it, working it, dreaming it and doing it. Dr. Werner Von Braun once said about the space program—there are a lot of things we don't understand, but if it works, we leave it alone!

V. PRICE-FIXING

Nothing government does is more harmful than when it sallies forth periodically and pleasures itself by fixing farm prices, but not costs. Historically, that exercise has always come a cropper.

Always.—George Washington's troops didn't go hungry at Valley Forge because food ran out. Food was plentiful. But the Pennsylvania Legislature, safely removed from the battlefield, conceived a marvelous idea to economize on feeding the soldiers. Just freeze the price of food sold the army. Terrific! What happened? Unable to get a fair price, the farmers refused to sell to the army, some selling to the British who paid market prices. It didn't take the Continental Congress long to get that message. In 1778, it resolved:

"Whereas, it hath been found by experience that limitations upon the prices of commodities are not only ineffectual for the purposes proposed, but likewise productive of very evil consequences—to the great detriment of the public services and grievous oppression of individuals, Resolved: That all laws regulating or limiting the price of any article or commodity be repealed."

Always.—Jamestown and Plymouth were founded on collectivist principles. Since idlers received the same rations as workers, little work was done and famine killed off the colonists. Only after the colonies abandoned collectivism for private enterprise did Jamestown and Plymouth prosper.

Always.—Early Georgia history. Oglethorpe sought humanitarian goals through economic regulations. Land use regulations restricted each family to fifty acres—which could not be sold, mortgaged or willed. With no incentive to improve their land, by 1740 most of the settlers left. Economic planning was discarded and prosperity arrived.

History lesson for today—government economic planning for rural areas, no matter how well-intentioned, is not a new idea. It has been tried and always with pathetic consequences.

Rural America is not alone in this experience.—The three main causes of today's world food shortage are Russia, China and India. Pre-Communist Russia was a net exporter of food. After the Kremlin's agricultural "divestiture" program, 40 percent of the people now work on the farm, yet can't feed themselves. China's great leap forward into Communism left behind the potential to feed its people. India's Ms. Ghandi "redistributed the wealth" by government land planning and fixing farm prices. With no incentive to produce, the people stayed in bed—obviously. All compounded by the most vicious racial discrimination system on earth, which manages to survive totally undetected by world media.

Black Africans don't recognize private property rights in land. Their motivation is to overgraze before someone else does. It was our government-planned foray into the Sahel to "do good" that sucked the desert down on them. We showed them how to drill water wells so they could raise more cattle. Cattle being wealth, they fell right in with this plan. Except when the first drought hit, there were too many cattle and too little grass. So they cut down the trees for leaves, the Sahara marched in and you know the rest of that story.

Embargoes.—A virus just as virulent as price-fixing. Japan is our number one farm customer. Soybeans are their main import. We were their traditional supplier. One day we suddenly embargo soybean shipments. The shock to Japan was instant and permanent. Japan simply went to Brazil and planted their own soybeans.

One year after the great grain robbery, when we sold our wheat to Russia at $1.60 a bushel and loaned them the money to buy it, the government exhorted farmers to plant "fence to fence." They did and produced a bumper crop. Government then slapped on a shipping embargo and the market went elsewhere.

Now that food is a strategic and diplomatic weapon, everybody wants a hand in the pot. The rural expert, Henry Kissinger, and the State Department, negotiated with the Russians for our grain. Rural America can outproduce in quality and quantity any other country in the world. They can outsell any other nation, but only so long as they operate in a free market.

VI. FARM POLICY

Farm income must be distinguished from farm markets.—Political attempts to force a shotgun wedding of income to market have hatched a bastard progeny. It's one of history's ironies that much of our productivity today was turned on by the New Deal "Brain Trust" who decided the way to raise farm income was to reduce supply. So Henry Wallace and his accomplices plowed up crops and killed pigs. All the farmer did then was produce more on less land.

Market is market and income is income.—They are not the same. For the past forty years we've tried every form of genetic and social engineering to homogenize them—price supports, production controls, parity payments, commodity loans, government buying, government stockpiling, government dumping. All managed to whipsaw the producer, the consumer and the market. If government spending alone could produce income, then we should repeal laws against counterfeiting.

The free market is a better planner than a bureaucrat.—Through millions of individual decisions made by millions of buyers, the market is a computer that is smarter, more sensitive and has a better memory than any itinerant government agency. The market works 24 hours a day, 7 days a week and not from 9 to 5, 4 days a week minus paid vacation and a 2-martini lunch. When government attempts to legislate higher farm prices, it's like a cockroach in a flour barrel—it doesn't haul off much, it's what it messes up that hurts.

Many agricultural programs expire this year. As you debate a new farm bill, please bear in mind that rural America, urban America and the whole world will be better off with markets free from government interference. Prices and production, free to move in response to demand here and abroad will most efficiently allocate production and consumption, minimize surpluses and shortages and avoid waste inherent in under-utilization of our renewable resource.

If farm income is a political goal, then the goal line can be crossed without emasculating the market.—Income can be distributed outside the market system through realistic target prices, deficiency payments, guaranteed operating loan programs, emergency credit and bringing new capital to rural areas.

VII. RURAL CREDIT

The USDA just published a survey of 400 bankers in the states of Montana, North Dakota, South Dakota, Minnesota, Nebraska, Colorado, Kansas, Oklahoma and Texas, comprising 685,000 farms or one quarter of the nation's total.[7] It shows income and credit to be major problems. Loan demand is up, deposits are down. Low cattle prices, droughts and skyrocketing operating costs are forcing farms into bankruptcy or liquidation to pay debts. The walking wounded don't have collateral for new financing.

Emergency credit needs to be available to deserving rural citizens whose operating losses drop them below accepted credit ratings. Only guaranteed loans can prevent many foreclosures, or provide capital for young farmers who want to stay on the farm and produce. They aren't asking for hand-outs or give-aways, but simply an opportunity. Politically and environmentally, we have so convoluted Nature that just growing a crop is now an incredibly complex and increasingly expensive effort. All without guaranty of reward and inwrought with risk of total loss.

VIII. NEW JOBS—FRESH CAPITAL

How you gonna keep 'em down on the farm?—Although we started out as a rural nation, the bright lights, softer life and guaranteed income in the cities proved an irresistible lure. Rural life is hardscrabble and you either love it or leave it. Most have left it. The average age of the farmer is 54. Where is his replacement coming from?

For those who do prefer rural living, its attractions are sullied by economic blight. Virtually every farm family has someone working off-farm—not by choice, by necessity.

Without non-farm jobs, what chance does rural America have to keep, or even attract, skilled workers, college graduates, professional people? Many who prefer the rural lifestyle would commit reverse migration if jobs were available. Since only 1 percent of our land is urbanized, the other 99 percent is open for some kind of use. But you are going to have to legislate that some of our land is also suitable for human habitation, as you finally had to do the Alaska pipeline.

God created heaven and earth and was then sued for failure to file an environmental impact statement. Non-degradation rules of EPA ban development in rural areas that are clean (and in cities that are not). No-growth buffer zones seal off acres by the thousands. Wilderness areas, scenic easements, wild rivers, endangered species all take their toll. Mining, forestry, grazing, fishing, power and energy projects are cancelled or abandoned. But these regulators are not responsive to profit and loss. They assume economic authority but are not accountable for how they use it. Their costs do not occur in isolation. They intersect. Their effects are cumulative.

But no price tag can be put on the gravest consequence of all. People also are a part of the environment. We didn't come here from another planet. It's the people who are now endangered. To stop growth is to die. Evolution doesn't suspend—it moves, it adapts, it trades off. Otherwise, dinosaurs would still be frolicking in the Tidal Basin.

You can't pass a law that says we want clean air and then leave its interpretation and enforcement to that army of nameless, faceless people who can't be seen, can't be hired and can't be fired. Our progress, our prosperity and our survival is also entitled to your legislative oversight.

7. Special Summary of Farm Financial Situation, USDA, April, 1977.

Fresh capital.—Historically, ownership of land vested in the ruling class. Today a third of the world lives under Communism which disavows private property rights. In America there was land for the taking. To make this land support people we applied initiative and capital, the dichotomy proposed by Adam Smith. Nourished by a climate of political freedom, fewer farmers fed more people. The displaced farmers went to the cities, where they produced capital, which further enhanced rural productivity.

There is a precarious balance between urban and rural life.—Without capital, our land would support only a fraction of our people (10 square miles were required to support only one Indian when Columbus landed—they didn't have the wheel, plow, livestock or private land ownership). In 1975, when the Cambodian Communists drove the people of Phnom Penh into the country, they perished, just as they did in Russia when Stalin broke up private farms.

Thus new capital is required to create new jobs and to attract new people to rural areas.—Existing agencies such as the SBA, the Farmers Home Administration, the Farm Credit Administration are already in place and could properly do this job without spawning any new agency. Jillions of studies have been made to find out why people migrate off the farm to find jobs. The malady has been studied to death. What is needed now is a remedy. It can be swift and certain and accomplished within existing structures. The Pavlovian instinct to create new agencies can be ignored.

IX. THE FAMILY FARM

Before Ray Marshall was anointed Secretary of Labor, he authored the report "Status and Prospects of Small Farmers in the South." Released this month, it makes trenchant observations:

1. Our agricultural policy, or lack of it, toward the small farm, has driven thousands of farmers off the family farm and stranded them in urban misery.
2. This has taken a disproportionately high toll in the South, where most family farms are located and particularly among black people.
3. This results in increased urban congestion, problems and costs, plus unemployment in rural areas.
4. The promised efficiency of large scale farming is challenged as not considering lost taxes, welfare, unemployment, crime and urban decay resulting from displaced people. "Big is better" doesn't necessarily hold true in agriculture.

The conclusion compelled by this Report is that there should be a new look at government policies which drive small farmers out of productivity or into already overburdened cities. Senator Bentsen popped to this conclusion some years ago when he said: "The family farm is essential to maintaining competition and it is more efficient than any other kind of farm."

More than a million family farms have disappeared in the last decade. Many because of the crushing effect of estate taxes which force heirs to sell farms.

The exodus continues. Average annual farm decline is over 3 percent so that there are 7 percent fewer rural people now than in 1975. In Texas alone 2,000 farmers and ranchers were forced out of business in the last two years. Bureau of Labor statistics do not include rural unemployment.

X. FARM PROFITS

Profits are obscure, not obscene.—The problem here is simple: is he going to be able to make enough profit to stay in business. It's no longer a question of return on investment, he's going into the red. Those still remaining supplement their income or borrow more money and go deeper in debt on the same acres. Is it realistic to think the industry with the largest capital investment in America can operate without profit? Yet a farm price rise of the smallest dimension brings on consumer boycotts and labor embargoes—all enthusiastically ventilated by media. This month steelworkers were given a 31 percent guaranteed wage increase! Not an eyebrow was lifted; not a voice was raised. This on top of steelworker wage increases of 125 percent in the last ten years. Yet the rural people who buy the steelworkers tractors, cars, tanks, fences and what else are earning less than ever. And it's not poor management because many of these people have been operating over fifty years. They are the ones who bring the only fresh money into our economy each year as crops are harvested and livestock is slaughtered.

XI. RESEARCH

Senator Bentsen says that for years this country reaped benefit in food abundance and low prices from agricultural research. In 1954, 10 percent of the USDA budget went for research. Today about 1 percent. The Green Revolution and healthy livestock came from land grant college research and education by county agents. Where do you suppose agriculture would be today if those county agents had been regulators instead of teachers?

Today, the research is all defensive, given over to force-feeding rats and trying to invent a food that doesn't cause cancer.

XII. RURAL LABOR

Remoteness, distance, special skills and seasonal interruptions are the job conditions.—It's easy to make political hay passing the kind of labor laws desired by urban and union interests. It's not easy to find domestic labor who can (or will) break horses, build fences, pick cotton or dig potatoes. Nature doesn't wait on man or comply with court orders. There is only one time to plant and one time to harvest. Miss that time and it's all over till next year. Congress must recognize that whenever domestic labor is not available, rural areas require that domestic and alien labor laws be flexible and workable to comply with local and emergency situations.

CONCLUSION

Twenty years ago America was warned, responsibly and publicly, of an impending energy shortage and its consequences. Those prophecies were ignored. The prophets in turn became pariahs.

Having decimated energy producers, the same groups have turretted their weapons on the food producers. Rural America has too much land, too much water, so some of it must be regulated away to achieve "meaningful social objectives." Re-stated, the Gay Deceivers who brought us an instant fuel shortage are loose in the kitchen cooking up an instant food shortage. Land, water and food cannot be imported. We ignored the energy shortage until we ran out of gas. It would have to be diagnosed as a terminal case of the dumb-dumbs to make that same mistake twice.

The energy-inflation-shortage syndrome cannot be stopped until:

(*a*) The food producer is encouraged to stay on the land and produce;

(*b*) The consumer is left with money to make purchases and investments;

(*c*) We make the national decision to become energy producers and food exporters;

(*d*) Our dollars get off the one-way street to OPEC.

By so doing, America can lead the world into a golden era of peace and prosperity.

Attachments.

THE DAW THEORY

Only Agriculture Can SAVE The Dollar

Editor's Note: As a Member of Congress one must read tons of material in an effort to keep abreast of the problems facing our great nation. In this reading I came across a report from David A. Witts, a respected attorney from Dallas, Texas, to the Texas Department of Agriculture on the subject of the dollar, energy, and food crises. Through the frequent use of footnotes Mr. Witts documents most of the figures and many of the statements included in his report. The report (called the DAW Theory) does an excellent job of putting agriculture in the proper perspective as it relates to both the dollar and the energy crises. The early part of the report deals with the energy crisis. Later the energy, food, and dollar crises are tied together. The three are most definitely tied together and agriculture is most certainly going to be called on to play a major roll in solving the three. The report presents both a bleak and challenging picture whether you are in agriculture . . . . or politics.

U.S. Congressman Jerry Litton

In response to your request; I am pleased to update my report to you on the Japan-Texas Association Conference in Tokyo with reference to

(a) Trade deficit looming with the Arab Nations and its relation to

(b) Food Production and Prices.

Dollar Crisis - Energy Crisis - Food Crisis - we hear these on all sides—but nobody has put it all together. I think it's time they were put together—that's why I call it the

DAW THEORY

POINTS:

1. Our monetary drain into Arab Bloc Nations to buy oil is about to become such a torrent that it will terrify, if not bankrupt, the dollar.

2. The only hope of stemming that torrent is agriculture.

3. We are not out of oil in America. What we are out of is the ability to produce and deliver it to consumers in response to demand. This inability was caused by political hostility, media hostility, consumerism and environmentalism pointed at the producers. It was not caused by the producers. That same syndrome has now infected producers of beef and other food.

4. Agricultural producers number less than 1% of our population. Yet they have made us the best-fed, best clothed Nation in history at the lowest cost. They account for our largest dollar export surplus. The unrepealable law of supply and demand has currently boosted prices. Because of their inability to produce in an economic vacuum, they are now being scornfully vocalized by the same virtuosos who so successfully decapitated the oil and gas producers.

5. The price of natural gas was regulated by the government; the production of oil was legislated and litigated. Look what happened.

6. What good is history if man does not profit by it?

7. **The Gay Deceivers who brought us an instant fuel shortage are now loose in the kitchen busily cooking up an instant food shortage.**

ARAB DRAIN

Until 1970, we had enough domestic oil that we were not dependent on fickle foreign imports. Overnite we crossed from surplus to deficit. By the end of the decade half our oil will be imported.[1]

Now where is that oil going to come from? There are eleven nations that export 85% to 90% of all petroleum in world trade: Saudi Arabia, Iran, Iraq, Kuwait, Venezuela, Libya, Nigeria, Algeria, Abu Dhabi, Qatar, and Indonesia. They call themselves the Organization of Petroleum Exporting Countries or OPEC.

For perspective - in 1971, the Mid-East Nations earned $47 billion in revenues. In the 1972-75 period they will take in approximately $80 billion.[2]

By 1980, when we're importing 10 million barrels a day (assuming present prices and no other economic indigestibles) our oil bill alone will be $15 billion.[3] This equals our entire balance of payment deficit for 1972. "By 1985, the balance of payment deficit from oil imports will reach $30 billion or more."[4]

(a) "The flood of dollars into the Arab Bloc will become the number one problem of the world's monetary system during the next decade." (Walter J. Levy, International Oil Consultant)

(b) "Unless this vast accumulation of funds can be immobilized, the Sheiks of Arabia will control the dollar." (Hubert Humphrey)

(c) "The energy deficient nations will be forced into a wild and cannibalistic scramble for external earnings to pay their bills." (Secretary of Commerce Peterson)

(d) "We are rapidly moving toward a situation in which the rulers of a few small, distant foreign countries will have the power to cripple our entire industrial and economic machinery." (C. H. Hardesty, Continental Oil Co.)

And now for the bad news—many OPEC Nations are unpredictable, vindictive and passionately nationalistic. Arab oil money played a heroic role in the monetary crisis which forced a second devaluation of the dollar. Over $3 billion of the hot money that flowed to Frankfurt in February consisted of Arab-owned Eurodollars.[5]

Until this year, the companies could sell all the oil they discovered in OPEC countries. But January, 1973, ushered in something called the Partici-

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1. President's Council on International Economic Policy 3-21-73.
2. Wall Street Journal 1-22-73.
3. Oil and Gas Journal 4-2-73.
4. Wayne Glenn, Continental Oil Co.
5. Washington Post 3-5-73.

pation Agreement—and now it's a whole new war. It gave these Nations a 25% interest in the companies' properties. This interest is scheduled to escalate at a modest 5% clip until is grasps 51% by 1982.

Now for the real hooker. Part of the Agreement is the "Doctrine of Changing Circumstances"—a license to amend the Agreement before the ink got dry. Guess what's happening:

1. Venezuela hiked its oil price 9%, and also revalued the bolivar upward against the dollar.
2. Iran revalued its rial upward 11% against the dollar February 17th. (Another quick $300 million dollar drain for 1973). Indonesia just raised prices 35%.[5-1]
3. Shettima Ali Manguna, the Nigerian Commissioner, pronounced on March 19th that a 25% equity interest is not enough. He wants ½ now and 51% plenty pronto.[5-2]
4. Prices were supposed to go up 7% on April 1st. However, OPEC decided 7% wasn't enough. They want a 15% hike **now**. They designated April 12th to negotiate further price rises **"to compensate for dollar devaluation and to avoid any further loopholes."** You can drive a truck thru that one.
5. And just to make sure the importing countries don't get any funny ideas, OPEC announced on March 26th, "concerted action by the importing countries are not in the best interest of international trade and could have negative effects on the present energy situation."[5a] Lurking behind that hemorrhage of words is a real Western nightmare.

Other OPEC's—Libya, Algeria, Iraq and Iran didn't even gandy-dance around with "Participation"—they just nationalized.

The importing countries will now receive an ever-smaller volume of oil, but pay an ever-higher price. As the price goes up, so do OPEC's revenues, including taxes and royalties. Higher import costs mean further devaluation pressures on the dollar. That economic rat-race recycles itself.

OPEC Nations are historically closer to Europe and Japan than America. They import European and Japanese goods and services. Their investments are in Europe. This portends further upward revaluation of European and Japanese currencies against the dollar—on and up in sort of an Indian economic rope trick.

Every major country except Russia is now dependent on foreign oil. Western Europe imports most of its oil and Japan about all. Since we must compete with Europe and Japan for oil, the OPEC's just might sooner or later discover that more income per barrel is better than more volume.

What is today only a tiny cloud on the horizon, will tomorrow grow dark and squally. We are witnessing the most traumatic redistribution of wealth ever. In 1972, world oil consumption was fifty million barrels a day, projected to ninety million barrels a day by 1980.[6]

In the 1970-85 period total funds flowing to OPEC will be half a trillion dollars.[7] That is a kaleidoscope only sensed—but not yet comprehended.

A trade deficit of $20 billion will mean international bankruptcy for the U. S. The enormity of this is so great we can't comprehend it. Bankruptcy of the dollar ranks with heresy alongside a Russian General sitting in the White House. It's something the American mind just can't compute.

Nothing can offset drains of such magnitude on the dollar except selling more goods abroad. And the only items left for us to export are high technology ones and **agricultural products.**

PLUGGING THE OPEC DRAIN

Since the OPEC countries are few and in early development, they don't have mass consumer markets. High technology items aren't needed. There's a finite number of gold bathtubs which can be used at any one time. Thus the only export possibility to OPEC is agriculture.

I have been working on this program with Larry Meyers, the bright and talented young Agricultural Aide to Senator Lloyd Bentsen. He conceived the idea of exporting agricultural products to OPEC on the return trip of oil tankers. Millions of tons a week of back-haul capacity now return empty.

He reasons that all kinds of agricultural products—grain, meat, citrus, vegetables, and livestock can be exported. Refrigerated containers can be used for temperature control. (Burmah Oil Co. is already cleaning tankers here and carrying grain back to the Mid-East.)

5-1. Oil and Gas Journal 3-26-73.
5-2. Oil and Gas Journal 3-19-73.
5a. Oil and Gas Journal 3-26-73.
6. President's Council on International Economic Policy 3-31-73.
7. J. G. McLean, Continental Oil Co.

More than 100 million people inhabit the OPEC Nations. They are food deficient Now. With them for a market, American agriculture could justify increasing production. Then we could furnish those oil dollars a round-trip ticket. (For example, to ease Libya's food import problem, they hired American technicians and machinery to irrigate the desert. So far 8650 acres have been reclaimed for agriculture and livestock. Only a postage stamp on the Sahara, but it shows the way.)

INDUSTRIALLY — WE WERE YESTERDAY

> "People have come to realize that the Americans are no longer so far ahead of everyone else in technology. And they have found they can get the things they want elsewhere, better and cheaper. And so now we have a deficit in our trade balance—and with more to come." [8]

> "In 1950, we manufactured nearly half the world's steel, and held nearly half the gold and monetary reserves . . . Today we make about 19% of the steel and hold 8% of the monetary reserves." [9]

We get beat to death in the world market on manufactured products. Whenever we do achieve a break-thru on some item, it is quickly copied and exported back to us—produced better and cheaper. "Toward the end of the 1960s, the U. S. realized with pained surprise that other nations were not just customers but also competitors." [9a]

> "A flood of foreign imports has wiped out more than a million American jobs and has threatened to make the 'made in USA' label obsolete. Imports have taken 20% of the market for steel, 25% of autos, 35% of TV sets, 60% of phonographs and 86% of radios." [10]

Our once vaunted industrial superiority now lies embalmed in history.

HOW DID WE GET IN THIS MESS?

When we came home after World War II, our military and economic power were supreme. Our industrial capacity was both untouched and unmatched. Along came the Marshall Plan and Foreign Aid. We sprayed dollars around the world with a fire hose. We re-built foreign industrial capacity and it emerged brand-spanking new and brutally efficient. Typically, a donee beneficiary is short on appreciation and long on resentment.

While we were incubating foreign industrial revival, tariffs against American products sprang up right out of the same hatchery. Foreign currencies grew healthier—ours got skinnier. Our costs got too high and our productivity too low. Uncle Sugar was strong enough or sap enough to permit it.

We transitioned ourselves from a producer nation to a consumer nation. We exhausted much of our resources. We exported our technology. We transplanted our initiative. We lost our industrial superiority. We taxed incentive. We now feed off each other in services or welfare, and in so doing, we gave our dollar diarrhea.

ONLY IN AGRICULTURE CAN WE COMPETE IN WORLD TRADE

Only in agriculture, because of our tremendous productivity and efficiency, do we still have the capacity to compete victoriously in the world trade olympics. In the past twenty years agriculture has increased its productivity three times more than has industry.

On such items as livestock, grains, corn, wheat, cotton, soybeans, and peanuts, where we combine land with labor-saving technologies, no nation can beat us. (I don't include products requiring individual labor attention, but only those responsive to mass production.) Here the American farmer is supreme and, in my belief, will remain so for years to come.

Asia Can't Compete. Long ago Japan decided to become an industrial nation and import food. While there I learned the average Japanese farm is 2.2 acres. Throughout Asia, farms are small. They utilize every available acre. No way for them to purchase or use machinery. Massive land reform or collectivization doesn't seem to be in the present deck of political cards.

Europe Can't Compete. The same applies to Free Europe—particularly as to beef. Little hope exists to expand Europe's beef herds. Their taste for veal draws heavily on the calf supply. The small dairy-oriented farmer prefers a quick calf sale without exposure to death loss, feed expense and market fluctuation. The EC countries are scrapping so for beef they now import feeder calves.

In both Asia and Europe I observed farmers leaving the dust of the land for the bright lights, higher wages and softer life of the cities.

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[8] Al Altwegg, Dallas Morning News 3-18-73.
[9] U. S. News & World Report 3-10-73.
[9a] Business Week 4-7-73.
[10] AFL-CIO.

Russia Can't Compete—Now. The Russians are busting a gut to increase agricultural production. As expected, government controls and farming just don't mix. Their agricultural labor force is one-third of their population compared to 4% in America. Results are about the same too—their productivity is only 10% of the American farmer.[11] The UPI reported this month that only pig heads were for sale in some meat shops; vegetables were unavailable; bread rationed—grim reminders of a mindless effort to manage farm prices by state fiat.

World Demand for beef has increased so that traditional exporters such as Mexico, Canada, and Latin America are experiencing domestic demand vs. export conflicts.

ONLY AGRICULTURE CAN SAVE THE DOLLAR

Only in America is there today the land, climate, irrigation, technology and individualism to be the world's bread basket. Farmland, properly cared for, is our one natural resource that won't become exhausted—but it's the only one! This year we will export $11 billion dollars of agricultural products. Agriculture can achieve $18 billion of exports with a $9 billion net surplus by 1980.[12]

On top of population growth, there is now rising affluence among the rest of the world. With prosperity the first thing that gets upgraded is diet. A palatable opportunity for us to cash in on growing world population and ability to pay.

With demand surging at home, world events indicate this is hardly the time to pillory the producers of food. Only invincible ignorance can ignore such stubborn facts as: the Russian wheat crop is short again; India, Australia and South Africa had another drought; China is buying commodities from us again; a shift in the Humboldt Current has suspended the huge Peruvian fish harvests; and the agricultural labor force is shrinking in all the developed countries. It will drop more than half from 70 million to 30 million by 1980.[13]

Producing farms are everywhere disappearing due to people encroachment. That means increased production must come from existing farms. And only in America is there the acreage, the climate and the potential surplus over its own needs to swing it.

"Can American Agriculture Save The Dollar?" That was the question posed on the cover of Forbes Magazine, March 15, 1973. Their conclusion:

"The food business will always be cyclical. If the U. S. wants to encourage agricultural expansion as a means of earning foreign exchange, it will have to protect the farmers against undue price fluctuation."

WHO SPEAKS FOR THE FARMER?

A message can be sent around the world in seconds, but it takes years to get thru the human skull. Who is there to publicize, much less listen to, such facts as:

1. Farm food prices are up only 6% from twenty years ago, while retail food prices are up 45%.[14]
2. 65% of every dollar spent on food goes for transportation, processing, packaging and marketing.
3. Americans get their food for a smaller percentage of income than any place in the world. (U. S. - 16%; Canada - 20%; Europe - 50%; Asia - 80%.)[15]
4. A pound of sirloin costs $4.00 in Europe and $16.00 in Japan.
5. "Food Bills" at the supermarket include such items as cigarettes, magazines, film, sprays, utensils, clothing, and stolen grocery carts.
6. The farmer's production costs have doubled and tripled. In 1960, the average farm debt was $33 an acre and interest charge $1.80 an acre. By 1973, the debt was $93 an acre and interest charge $5.80 per acre.[16]
7. The cost of acquiring replacement farmland has gone up 50% in the past five years.
8. Cattle feed costs have gone up 200% in the past six months.
9. 80% of the producer's income from a calf is invested before the calf is born. Allowing for a 90% calf crop and 15% herd replacement, he has only 75% of his product to sell after 18 months of work.
10. The severe 72-73 winter caused losses up to 30% of the ranchers' herds. Over 150,000 head of cattle died in the Texas Panhandle alone. 7,000,000 acres of farmland has just been flooded by the Mississippi.

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[11] Fortune Magazine, February, 1973.
[12] Agriculture, Trade Board of Multinational Organizations.
[13] Food and Agricultural Department of U. S.
[14] House Agriculture Committee.
[15] U. S. News & World Report, Economic Unit 9-10-73.
[16] U. S. Department of Agriculture.

11. 80% of increase in cost of beef has been for processing and marketing. Mr. Meany, maybe it's more logical to import labor than beef.

Now that a cloud of commentators has darkened the land, wouldn't just one find out that the farmer gets $1.00 an hour for his labor and a 2% return on investment? Is purity of motive suspect when no one compares $1.00 with everybody else's wage rates, or the 10% return on industrial investment, or the **guaranteed** return granted utilities because they are a "necessity"—as though food weren't.

The double standard of the Gay Deceivers ignores the **unprotected** farmer in a nearly completely protected and insured society.

While navigating the sea of platitudes, might not some expert discover that the farmers total income is **$19 billion**—that **$24 billion** is spent on alcoholic beverages—or that the budget of the Department of Health, Education and Welfare is **$100 Billion Dollars?**

With personal income up twice as much as food prices since the 1960s, is it surprising that the cost of food has finally gone up? Rather, isn't it remarkable that it hasn't gone up a pace with everything else? Fortunately, only the productivity of the farmer has kept this from happening.

SHOULD THE FARMER BE RECOGNIZED AND RESPECTED BEFORE IT'S TOO LATE?

There are only 1.5 million full-time farmers left today—less than 1% of the population. They are unorganized and inarticulate. **Media** hostility showers down on them. Law-making bodies are dominated by urban and consumer representatives. Having neither voice nor clout, they are political eunuchs. Food boycotts have inherited the inordinate and enthusiastic network coverage heretofore reserved for activists and war-protestors.

The number of American farms is dwindling—down one-half since 1950. The number of American farmers is dwindling—average age of farmers is 51. **Each year more than a million acres goes out of production.** In the next 20 years **another 34 million acres will drop out** of production.[17] 80% of future production must come from 100,000 farms. Shrinkage dictates **greater reliance on fewer farmers.**

Again, it's like the oil industry. We took for granted that the cheap flow of oil would go on forever—now we're short of oil and men with the incentive to find it. It would have to be diagnosed as a terminal case of the dumb-dumbs to make that same mistake twice—back to back.

Farmers Are Highly Protected in Europe. Their Common Agricultural Policy imposes a tariff on agricultural imports. At once, this protects the locals and prejudices the American farmer—who gets cut up three ways: tariffs keep him out of that 225 million share market; high local prices stimulate over-production; and the over-production is then dumped on the world market.

Latin America Didn't Protect Their Ranchers. For years they produced cattle so efficiently that Argentina was the world's leading consumer of beef—double that of the U. S. A decade of low prices, government regulations and consumerist programs has brought it to this:

(a) Argentina now permits sales of beef only on alternate weeks.
(b) Peru bans beef sales the first 15 days of each month.
(c) Chile cancelled all beef sales last year.
(d) Uruguay forbids beef sales for four months at the risk of a six months jail sentence and $5000 fine.

Hopefully, these history lessons will not be lost on our political and social engineers, ere the $3.00 lunch is a coke and soyburger.

The American Farmer Was Burned Badly. In the 1960s when India was on the verge of starvation, our farmers were told it's up to them to feed the world. They responded. Wheat doubled in one year. Livestock herds increased. New wheat and rice strains brought on the Green Revolution. It began to rain again in Asia—and then **we** began importing over 100 million pounds of beef a **month!** It didn't take long for that bubble to burst.

Farmers Economy is Unique. His prices are set by supply and demand. In other businesses you figure costs and add a profit. Not agriculture—their product must be offered at the marketplace when it's ripe and they have to take whatever they can get. Unlike manufactured products, his prices fluctuate up and **down.** And when they're down, his increased costs have to be **absorbed**—they cannot be passed on.

The Farmer Is An Unique Individual. He lives off the land. He loves that life. Typically: "We stayed on in business by working ourselves and our sons 16 hours a day for 20 years. Some years the interest on the loans was more than the profit and we were broker than the Ten Commandments. We finally make a profit like any other business and everyone is screaming."

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[17] U. S. Department of Agriculture

There's an outside chance that the farmer just might get as smart as a Nigerian and decide to sell less so he can charge more.

Double Danger. If we don't wake up and protect our agricultural producers NOW, we will decapitate them just as we did the oil producers.

Lest we forget—other parts of the world have vast (but as yet undeveloped) agricultural potential —Brazil, Argentina, Australia, Russia. The loss of our headstart will guarantee their prompt agricultural development. The OPEC trick all over again.

It's already started. Russia has purchased four soybean processing plants. Australia has announced all-out expansion of beef production. Japan is investing in soybeans, cattle and grain in Australia and Brazil.[18]

Brazil with the fastest growing economy in the world has already absorbed over $600 million in Japanese investment. Having 700,000 Brazilians of Japanese descent, a pool of industrious workers is there. From Brazil, Japanese firms exported last year $2 million of orange juice to . . . FLORIDA!

The Fuel Battle is lost. The last train has left Madrid. There won't be another along for twenty years. "Development of new energy resources will require two decades or more. We have no other short-term alternative." [19]

"If we lose the Agricultural Battle, then it's put out the fire and call the dogs—the show is over!"

THE FOURTH HORSEMAN

Natural Resource Crisis: Everybody has been so busy articulating the energy, food and dollar crises, the Fourth Horseman hasn't yet been identified. It won't be long before he'll team up. Consider:

(a) "In thirty years 80% of U. S. primary metal requirements will have to be imported." [20]

(b) "Resource needs of the U. S. are certain to increase and imports will continue to rise. A major national dilemma is introduced by the dependency on foreign sources for such large amounts of basic, raw materials." [21]

The litany is the same—it just hasn't yet made it to choir practice.

NOT SHORT OF OIL

There is an aroma of absurdity connected with the fuel crisis. For years we funned ourselves on a honeymoon of cheap fuel. After the Supreme Court put gas producers under price control and the environmentalists constricted new wells, refineries and pipelines and the consumer lobby sliced the tax incentives, we woke up one brown day in 1972, short of gas, oil, gasoline, power and absolutely dependent on fickle foreign imports. And this dependency in spite of:

1. Alaska has the largest oil field ever discovered in America, yet for the past five years not a jigger of oil has been produced.
2. 100 million barrels of oil lies under the Continental Shelf, yet environmentalists don't want anyone to drill for it.[22]
3. "There's enough oil along the Gulf Continental Shelf to supply most of the energy needs of the U. S. for the next 25 years—it's just a matter of finding and developing it." [23]
4. U. S. has energy resources to last two centuries without relying on nuclear or solar power. Oil shale alone can meet current oil demand for the next 35 years; there's enough oil and gas for the next 100 years and enough coal for 300 years.[24]

If all this be true, then how come we are fuel short and fickle foreign oil dependent? The producers warnings were drowned out by opinionated cries of the

GAY DECEIVERS

E. L. Kennedy, Managing Partner of Lehman Brothers, recalled some of those prophets in a recent speech:

1. 1961 prediction by economist Bruce Netschert that gas reserves could decline 50% without any problem of supply.
2. 1963 prediction by Professor Morris Adelman of MIT that oil prices will drop to $1.00 a barrel.

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[18] Business Week 3-24-73.
[19] Wall Street Journal 1-30-73.
[20] Engineering & Mining Journal, March, 1973.
[21] National Commission on Materials Policy.
[22] Dallas Times Herald 2-13-73.
[23] Dr. Maurice Ewing, Director of Earth and Planetary Sciences of the University of Texas and considered by many to be the world's greatest authority on ocean-bottom geology. Dallas Times Herald 4-1-73.
[24] Report of National Petroleum Council, U. S. News & World Report 3-26-73.

3. 1965 prediction by Professor Milton Russell that since costs of reserves had fallen gas would only get cheaper.
4. 1965 Public Utilities Fortnightly report that warnings of a gas shortage were false, that need for exploration incentives were bizarre and that we are confronted with a glut of gas.
5. 1968 address by Lee C. White, Chairman of the Federal Power Commission entitled "The Myth of a Natural Gas Shortage."

No wonder some economists have been described as a guy who would marry Elizabeth Taylor for her money.

But it's not all ancient history. A vigorous rearguard action is still being fought against reality.

1. The Clean Air Act was passed with standards designed to **restore the Los Angeles atmosphere** to its condition in 1940. Cost? About 100 billion dollars. Result? A car that costs $600 more, burns more gas, requires more maintenance and runs rougher.[24a] Not to be outdone, many cities hoisted even more spectacular hygienic standards.
2. Pollution controls have shut down much existing refinery capacity. Yet, "everytime an attempt is made to build a refinery, the uproar can be heard for miles around. Consequently, not a single new refinery is scheduled for construction in the U. S."[25]
3. The Marine Protection, Research and Sanctuaries Act and the Coastal Zone Management Act, both passed in 1972, prohibit drilling for oil.

THE GAY DECEIVERS — AN AGONIZING REAPPRAISAL

Only after we legislated and litigated oil production **and other** power sources right into the 21st Century did we begin to wake up. How about these tortured confessions from the Washington Post?[26]

1. "Our national policy for natural gas has turned into a failure."
2. "The present shortage of gas has risen largely because of obsolete and harmful price regulation by the Federal Government."
3. "Present policy is a monument to the influence of the senators and congressmen from the urban states."
4. "We are now importing gas at a price far in excess of what Americans are permitted to sell it."
5. "The present price of gas could be tripled and even adding transmission costs would be far cheaper than Soviet imports."
6. "Past experience with rationing and layered regulation does not inspire confidence that it will improve either the equity or the efficiency of the system despite its author's good intentions."
7. "**The consumer has a choice** between a low price and shortages or a higher price and adequate supply."

And trotting along behind the **Post** like a faithful gun-bearer, **Newsweek** recants:

> "There is a danger that some policymakers may hope ostrich-like that the current doomsday projections for energy are just as wrong as were earlier predictions that everything was all right."[27]

No indigestion is worse than having to eat your own words. George Lincoln, Director of Office of Emergency Preparedness:

(a) "We did not forsee the cartelization of the oil producing countries."
(b) "We expected tanker costs to remain at permanent low levels."
(c) "We were too optimistic about Alaskan production."
(d) "We underestimated demand and particularly the heavy impact of environmental programs."

"Producers were vocal through the years, insisting that gas price control would lead to higher prices. But those warnings were dismissed as self-serving and spoken only to justify higher prices to the consumer. Meanwhile, the protesting voice of the producers was being drowned out by university professors, consumer advocates and politicians who continued to demand low prices of gas and to argue there was no danger of fuel shortage."[28] He might as well have been talking about agriculture producers. Their critics are now inflicted with the same infirmity.

24a. Oil and Gas Journal 3-10-73.
25. American Petroleum Institute.
26. Washington Post 12-10-72 – 10-23-73.
27. Newsweek 3-22-73.
28. [illegible], Managing Partner Lehman Bros. 3-10-73.

NOT SHORT OF FOOD EITHER — YET

Time has run out for continued subjugation by the Gay Deceivers who badger, attack and decimate independent producers — whether they produce fuel, food or fiber.

Americans eat better than anyone else in the world because producers have doubled production in the last twenty years despite discouraging prices —"yet production must increase one-third again by 1980 to keep up with demand." [29]

There's no short cut to producing beef. It's two years from conception to consumption. Even Ralph Nader can't repeal the law of gestation. It takes four years to increase beef production capacity; today's supply was determined by consumer demand in 1969. Expansion of beef herds has been underway for the past two years and will again result in abundance, unless interrupted by such artificial obstacles as controls, meatless days and boycotts.

The same hostility directed at oil producers has now been turreted full blast on farm producers. That's why there are plenty of

GAY DECEIVERS AGAINST AGRICULTURE

1. Church Groups all the way from the National Council of Churches to the Theology School of SMU titillate themselves boycotting grapes and lettuce.
2. Important technologies have been legislated into abandonment, e.g. DDT and DES.
3. Constitutional amendments allowing farmland to be taxed on its productive ability are rejected by urban voters.
4. Sheep population of the western states has been decimated by coyotes who have now been put on welfare.
5. "There has been too much selfish advantage built into legislation encouraging labor union monopoly (citing the dock strikes which blockaded exports of grain at harvest time)." [30]
6. Some states are restricting soil and fertilizer use.
7. Representative Ben Rosenthal of New York introduced thirteen bills in Congress "to aid the consumer." One would freeze the price of beef and permanently remove all import controls. (This was labeled a "prescription for disaster – we'd have low prices, but no beef" by D. Paarlberg, Economic Director of the U. S. Department of Agriculture.)
8. Social dilettantes gushingly entertain Cesar Chaves and abhor migrant workers. (But when those cocktail nurtured seeds reappear as bitter fruit on the damask dinner table, who howls the loudest?)
9. Natural Resources Lands Management Act allows government agencies to condemn grazing land for recreational use.
10. On January 16, 1973, the Supreme Court in a 5-4 decision said the government need not compensate a rancher whose grazing permits were lost through condemnation.
11. Land Use Bills sponsored by environmentalists would restrict the use of land for agricultural purposes and even permit confiscation of private property. Joyce Koupol of Peoples Lobby shrills: "Individual property rights are secondary to the public good whenever there is conflict."
12. Senator Proxmire and George Meany want to slap price controls on the farmers. ("When we tried to control the price of food in World War II no food was on the shelves. Black markets appeared. It was necessary to find a bootlegger to buy food. This will happen again." Senator Talmadge.)
13. Typical of political hostility to agriculture is the National Water Commission. Senator Lloyd Bentsen ventilates its Report: "I think it is a serious mistake to ignore the future of rural development . . . Another disturbing aspect is the apparent bias against agriculture." To understand his concern, view these little jewels lying exposed in that Report:
    - (a) "Using less water for agriculture purposes would release a fairly large supply of water for industrial, urban and other areas."
    - (b) "Transferring water from agrarian to other uses . . . would have only minimal effects on the cost of food to the nation's consumers."
    - (c) "With a change in the life-style and eating habits of consumers by substi-

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[29] U. S. Department of Agriculture, Economic Research Service.
[30] William D. Eberle, Representative for Trade Negotiations.

tuting soy protein for beef . . . . large amounts of water and land would be in surplus by 1980."

(d) "With the greater amounts of unused land, many parts of the Nation would face severe adjustment problems."

14. The Gay Deceivers shriek about tax incentives to encourage cattle feeding. Yet cattle feeding has to be outside-financed. Ranchers can't do it. Has this hurt the consumer? It supplied more meat. It stabilized the market. It purchased grain. It hired labor. It produced more beef at a cheaper price.

15. With unfailing selective myopia, the New York Times anguishes over farm prices. On any day the editors could peek out those dirty windows and see industries by the dozen and individuals by the millions picking up their government subsidy. From their high journalistic viewpoint, they might even spot one of some 1700 U. S. Welfare Programs running loose below.

If farmers are expected to produce abundantly, they don't expect to be pampered, but they sure shouldn't be pilloried. The beef producer has never asked for or received a subsidy. They have not demanded job security, 4-day weekends, severance pay, lay-off guarantees, dental care, re-training pay, sick leave, vacation time, improved environment, humanizing working conditions or strike benefits . . . . STRIKE BENEFITS???? They have never even gone on strike with non-negotiable demands —YET.

Is it realistic to leave him at the mercy of the marketplace, ask him to share alone **all** the risks of price fluctuation, crop failure, weather, market demand, labor unions, world competition and now

BOYCOTTS

Boycotting the rancher because of meat prices is like boycotting the State of Texas because of fuel **shortage**. It is a quixotic joust at the **result**, not the **cause**. Although long on indignation and rhetoric it is short on solution. The **problem** of higher prices is caused by increased **demand**, which is caused by increased income, increased employment and increased spending. The **solution** is increased production.

Any increase in the supply of money seeking meat, without a corresponding increase in meat, always results in higher prices. Q.E.D.

With food shortages everywhere, dropping those meat dollars onto another counter will just drive up the price of whatever they land on.

June Donovan, an actress, has birthed the F.I.T. Boycott. How fitting that an entertainer, the highest paid profession on earth, should know about prices—but as an expert on beef production—that is really entertaining!

The City Council of Cleveland, Ohio, threw another monologue on the fire when it passed a resolution proclaiming April as "Boycott Beef Month to bring the meat industry to its knees." I wonder if they boycotted the power company after their last blackout.

Government Food Stamps now run a cool $2.2 billion – **up 778% over 1969.** Secretary Butz knows how stamp collectors affect prices: "One of the first items purchased with food stamps is meat . . . preferably beef." Who boycotts the stamp collectors?

One old rancher long of memory and short of patience says: "The way I see it, those color TV sets and new cars people have been buying, I have subsidized them since they didn't have to pay me a profit. Now they boycott me. If the market falls off, I'll operate without a profit for the next ten years, then they'll like me again."

The boycotters might do well to recall that the men they are taking on have spent all their lives fighting droughts, floods, blizzards, screworms, coyotes, cattle thieves and bankruptcy—permanent and indestructible adversaries—tougher foes than a pontificating TV commentator or a boycotter's banner draped across a welfare Cadillac.

RECOMMENDATIONS

There are only about a million farmers left to keep us in food at home and solvency abroad. They are not seeking minority consideration. As political POWs, about all they have ever asked is to be left alone. Even an intellectual pygmy should see that **food production must be increased.** Therefore, a favorable political climate must exist or crops won't grow. These are some climate fertilizers:

1. A National Policy to encourage agricultural production.
2. Land Use policies which aid agriculture.
3. Research programs to improve soils, technology and products.

4. Improved edcational facilities for A&M Colleges to encourage professionalism in the field.
5. Investment and tax incentives.
6. A trade bill to loosen restrictions on agricultural exports and open new markets.
7. Dependable transportation facilities geared to time of harvest and perishability of product.
8. Environmental programs which recognize that farms are entitled to sanctuaries as much as coyotes and water mocassins.
9. Assuring that farm products will enter the world market competitively priced so as not to force-create an agricultural OPEC.
10. Attract Euro-Arab dollars to American agricultural joint ventures.
11. Strengthen and stabalize such programs as Commodity and Production Credit.
12. Strengthen and support vertical trade groups such as cotton, citrus, beef, the American Soybean Assn., and U. S. Feed Grain Council.
13. Build up livestock herds for export beyond our demand. Export feeder cattle to countries such as Japan who don't have range capacity and breeder cattle to countries that do.
14. Agriculture is multi-flex—no other industry endures so many variables. Accordingly, programs should be flexible. Production should be unhindered by government. Stand-by safeguards are needed only when income is inadequate or to prevent a collapse. Hubert Humphrey believes: "The Nation must share with the farmer the risks associated with those market uncertainties."

Secretary Butz capsules: "Farmers prefer to produce more. Expanded trade will enable us to maintain strong prices for greater total production. With more markets the farmer can increase production, purchase equipment and increase efficiency. Each $100 million increase in farm exports generates an additional 100,000 jobs. Increased farm exports has a direct impact on every segment of U. S. Economy."

Perhaps the best recommendation of all comes from President Nixon in his message to Congress on Natural Resources:

> "Americans know their farmers and ranchers best for all they have done to keep us the best-fed and best-clothed people in the history of mankind . . The farmer wants, has earned and deserves more freedom to make his own decisions. The nation wants and needs expended supplies of reasonably priced goods and commodities We must allow farmers the opportunity to produce, for expanding domestic demands and to continue our vigorous competition in export markets. We will not accomplish this goal by telling the farmer how much he can grow on the ranches, how much livestock he can raise . . . . I hope the Congress will address this important subject with a deep appreciation of the need to keep the government off the farm as well as keeping the farmer on."

CONCLUSION

We may have lost one battle, but we sure haven't lost the war. It's time this country took stock of itself and remembers what made it great and powerful to begin with. We conquered a wilderness and created an Empire. We fed, clothed, employed and enjoyed ourselves so that America became the envy of the world. Anything good was sound as a dollar.

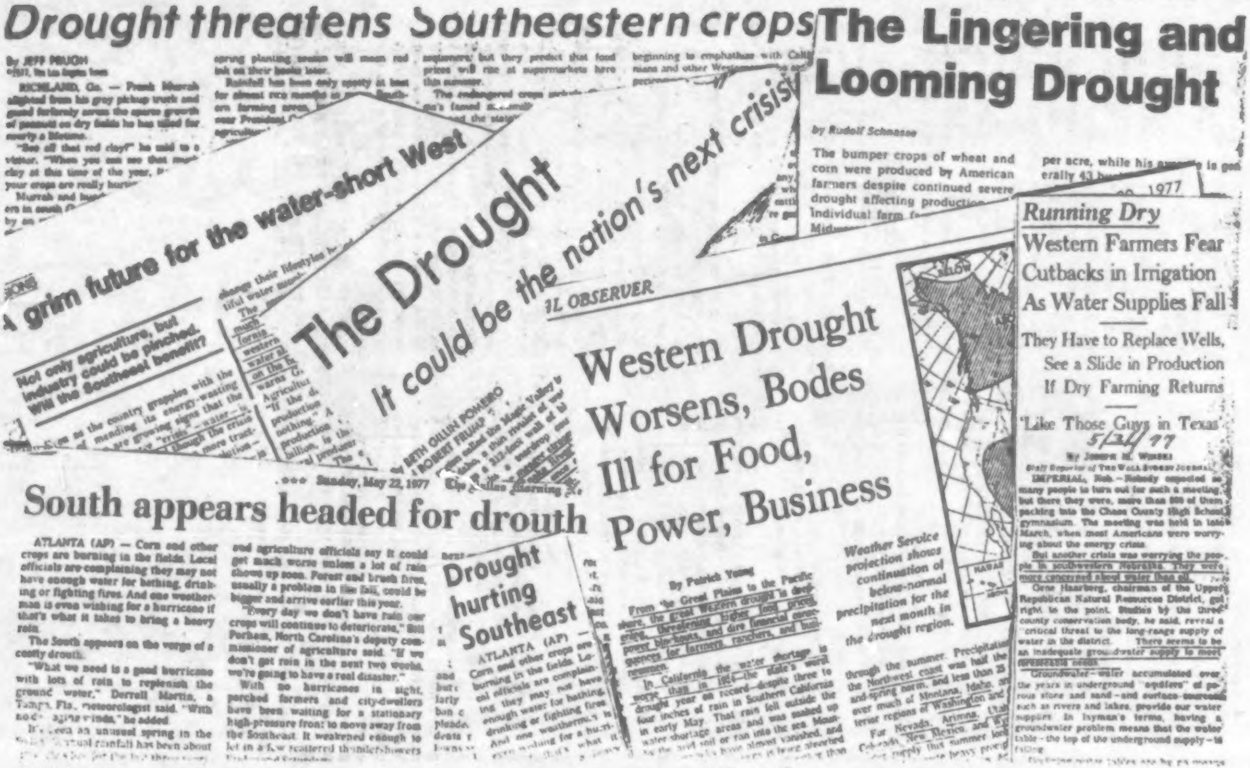
I'm old fashioned enough to believe as did George Washington that freedom isn't free—it has to be fought for and it has to be defended. We're still the strength and hope of the world.

Walter B. Wriston, Chairman of the First National City Bank of New York (a guy who has got to earn his paycheck) sums it up pretty well.

> "We have the greatest working economy the world has ever seen. We have the lowest inflation rate of any industrial country in the world, by times two. We have an enormous reservoir of hi-technology products, **starting with agriculture which is the highest productivity in the world.** After all, miracle rice and miracle wheat developed by American technology are what feed the world. We have all the aerospace and electronics, we can't expect to sell every product in every market —that's ridiculous. The world needs our products."

NOW, IF WE CAN JUST MAKE AS MUCH NOISE MARCHING DOWN THOSE STAIRS AS WE DID STOMPING TO THE TOP — MAYBE WE CAN WAKE THE WHOLE HOUSE UP! ☐

– David A. Witts



Drought threatens Southeastern crops

By JEFF PRUGH
©1977, The Los Angeles Times

RICHLAND, Ga. — Frank Murrah alighted from his gray pickup truck and gazed forlornly across the sparse growth of peanuts on dry fields he has tilled for nearly a lifetime.

"See all that red clay?" he said to a visitor. "When you can see that much clay at this time of the year, your crops are really hurting

Murrah and

spring planting season will mean red ink on their books later.

Rainfall has been only spotty at best for almost two months in Southern farming areas,

engineers, but they predict that food prices will rise at supermarkets here this summer.

The endangered crops include

beginning to empathize with Californians and other Western

The Lingering and Looming Drought

by Rudolf Schnasse

The bumper crops of wheat and corn were produced by American farmers despite continued severe drought affecting production individual farm

per acre, while his average is generally 43

1977

A grim future for the water-short West

Not only agriculture, but industry could be pinched. Will the Southeast benefit?

The Drought

It could be the nation's next crisis

AL OBSERVER

Western Drought Worsens, Bodes Ill for Food, Power, Business

By Patrick Young

From the Great Plains to the Pacific shore, the great Western drought is deepening, threatening higher food prices, power blackouts, and dire financial consequences for farmers, ranchers, and businessmen.

In California the water shortage is worse than in 1976—the state's worst drought year on record—despite three to four inches of rain in Southern California in early May. That rain fell outside the water-shortage areas and was soaked up by the arid soil or ran into the sea.

Weather Service projection shows continuation of below-normal precipitation for the next month in the drought region.

through the summer. Precipitation the Northwest coast was half the and-spring norm, and less than 25 over much of Montana, Idaho, and terior regions of Washington and

For Nevada, Arizona, Utah, and Colorado, New Mexico, this summer

Running Dry

Western Farmers Fear Cutbacks in Irrigation As Water Supplies Fall

They Have to Replace Wells, See a Slide in Production If Dry Farming Returns

'Like Those Guys in Texas'

5/31/77

By JOSEPH M. WINSKI
Staff Reporter of THE WALL STREET JOURNAL

IMPERIAL, Neb.—Nobody expected as many people to turn out for such a meeting, but there they were, more than [illegible] of them, packing into the Chase County High School gymnasium. The meeting was held in late March, when most Americans were worrying about the energy crisis.

But another crisis was worrying the people in southwestern Nebraska. They were more concerned about water than oil.

Gene Haarberg, chairman of the Upper Republican Natural Resources District, got right to the point. Studies by the three-county conservation body, he said, reveal a "critical threat to the long-range supply of water in the district. There seems to be an inadequate groundwater supply to meet foreseeable needs."

Groundwater—water accumulated over the years in underground "aquifers" of porous stone and sand—and surface sources such as rivers and lakes, provide our water supplies. In layman's terms, having a groundwater problem means that the water table—the top of the underground supply—is falling.

Sunday, May 22, 1977 The Dallas Morning

South appears headed for drouth

ATLANTA (AP) — Corn and other crops are burning in the fields. Local officials are complaining they may not have enough water for bathing, drinking or fighting fires. And one weatherman is even wishing for a hurricane if that's what it takes to bring a heavy rain.

The South appears on the verge of a costly drouth.

"What we need is a good hurricane with lots of rain to replenish the ground water," Derrell Martin, a Tampa, Fla., meteorologist said. "With no damaging winds," he added.

It's been an unusual spring in the

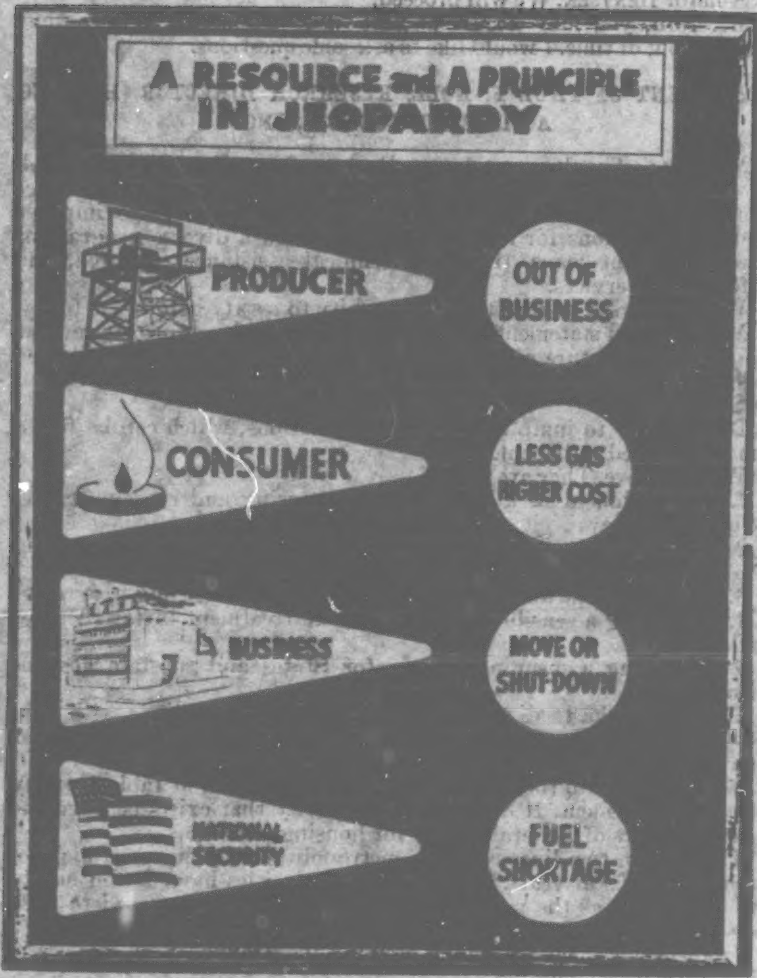
and agriculture officials say it could get much worse unless a lot of rain shows up soon. Forest and brush fires, usually a problem in the fall, could be bigger and arrive earlier this year.

"Every day we don't have rain our crops will continue to deteriorate," Bill Parham, North Carolina's deputy commissioner of agriculture said. "If we don't get rain in the next two weeks, we're going to have a real disaster."

With no hurricanes in sight, parched farmers and city-dwellers have been waiting for a stationary high-pressure front to move away from the Southeast. It weakened enough to let in a few scattered thundershowers

Drought hurting Southeast

ATLANTA (AP) — Corn and other crops are burning in the fields. Local officials are complaining they may not have enough water for bathing, drinking or fighting fires. And one weatherman is even wishing for a hurricane if that's what it


A RESOURCE and A PRINCIPLE IN JEOPARDY
PRODUCER
OUT OF BUSINESS
CONSUMER
LESS GAS HIGHER COST
BUSINESS
MOVE OR SHUT-DOWN
NATIONAL SECURITY
FUEL SHORTAGE

Speech panel used in 1956 to predict consequences of Federal control

Senator BENTSEN. We will proceed.

Mr. Noll, you may go ahead with your testimony. We are just running out of time. I would like to ask some questions.

STATEMENT OF PAUL F. NOLL, RESEARCH DIRECTOR, HOUSING ASSISTANCE COUNCIL, INC.

Mr. NOLL. Thank you, Senator Bentsen. I am Paul Noll, research director of the Housing Assistance Council. The Housing Assistance Council is a national nonprofit organization that seeks to improve housing conditions for the rural poor through a diverse program of predevelopment loans, training, technical assistance, research, and information services.

We are pleased to have this opportunity to testify before you today.

My prepared statement will be submitted for the record. It reviews the scope and nature of the problems in housing and community development issues, and develops the arguments leading to our recommendations.

I would like to jump to our recommendations, which can be found in my prepared statement.

We listed five. They are:

1. Establishment of a national rural housing and community development policy;
2. Reorganization of the Government programs by increasing FmHA's role;
3. Increasing the allocations and staff for rural housing programs;
4. Providing a sensible water and waste treatment infrastructure; and
5. Providing a meaningful role for States and substate governmental units.

We would like to discuss all of these recommendations with you. The time forces me to focus on recommendations 3 and 4 which deal more directly with housing and water and sewer.

Before I turn to those issues, I ask that you look at table 1 of my prepared statement. It displays the disparity that exists between the extended tours of Federal money for housing programs.

The bottom two lines compare metropolitan with nonmetropolitan areas over 4 fiscal years. Figures show that cities have gotten nearly twice as much as the rural areas, $401 per capita compared to $221 per capita, in the nonmetropolitan areas.

It also shows that the dollar figures have dropped year after year since 1972.

This disparity is the underlying factor guiding us to recommendations 1 and 2, the establishment of a national rural housing policy hopefully to remove this disparity; and two, giving the Farmers Home Administration the lead role in the provision of housing and community development programs for rural America, mainly because we see this as a more productive way to overcome HUD's urban biases. We are opposed to the absorption of Farmers Home within HUD.

We were asked specifically whether or not rural housing programs were adequately funded.

Under "Recommendation" in our prepared statement, we present data which leads us to the conclusion that they are not. Since the establishment of quantified national housing goals in 1968, the Farmers Home Administration has approved over $15 billion in rural housing loans and grants.

Only 6 percent of these funds appropriated by Congress for Farmers Home have not been used. Nearly all of that happened in 2 years—1974, when $375 million went unspent as a result of President Nixon's moratorium, and in 1976, when recissions and bureaucratic footdragging resulted in leftover funds of nearly $500 million.

One would think then that we are only 6 percent short of our goal if the funding was adequate to meet the goal. That is not the case.

The goal called for nearly 2 million subsidized housing units in rural areas over 10 years and with only one year remaining in the decade, we have only slightly more than half of that target produced, approximately 1 million units.

Since the moratorium in 1973, HUD subsidized housing production in rural areas have been pitifully small, some years producing as few as 14,000 units.

This data, by the way, does not reflect the recent increases in rural areas through "section 8" housing.

Farmers Home, during this same period, since the 1970's, has been producing in the 80,000 to 90,000 range. This production level has been steady despite regular growth in appropriation levels. Unfortunately, all the increases in appropriations seem to have been eaten up by inflation. We can come to no other conclusion but that the housing programs for rural America have been underfunded.

If the goal is to be reached, Farmers Home must be funded to a level where its production will double, somewhere between 180,000 to 200,000 units a year.

Let me give you one reasons why this funding would be very healthy for the rural economy: There is a strong linkage between the rural economy and housing and community development programs.

Farmers Home housing programs alone keep some 250,000 persons employed each year in rural America, 100,000 in actual housing construction, 30,000 in land development, and 120,000 more in related industries.

Consider fiscal 1976's unspent $500 million of housing funds in terms of jobs lost. That money would have produced 24,000 new housing units. Those 24,000 housing units besides providing housing for 24,000 families would in addition have provided 48,000 additional jobs in rural areas.

It is estimated that on the average each Farmers Home professional staff person can approve enough loans in housing per year to put 50 people to work in housing and related industries. That 1-to-50 ratio is very good leveraging of the Federal dollar.

That is only one part of the argument for providing Farmers Home with additional staff. Another reason is the need for more counseling and outreach. Traditionally, Farmers Home staff not only made housing, farm and community facilities loans, but they also provided the farm family with large doses of counseling and budgeting assistance.

However, as the programs grew in number and complexity and the loan portfolio per employee grew as well, the hard-pressed employees cut back on counseling.

The result of that has been with utility costs skyrocketing and more people joining the unemployment rolls, families began to fall behind in their mortgage payments, resulting in an increase in defaults in Farmers Home loans.

The reaction by Farmers Home worsened this vicious cycle. They cut back on making new loans in areas where defaults were high. The impact of this decision was to lower construction activity in precisely those areas where it would have helped to bolster the economy.

Just one more point with regard to Farmers Home staff and appropriations. Ever since Farmers Home set affirmative action goals with regard to housing loans, the share of loans to minorities, particularly blacks, have dropped year after year.

Three distinct thrusts are needed. More outreach efforts which means putting more staff on the specific responsibility of generating more loans among minorities; deeper subsidy programs such as the rural rent supplements which are finally getting under way. Comparable programs to that should be devised for those desirable of home ownership; consideration of extending section 504 grant moneys to low-income people should also be considered.

The third thrust should be an increased commitment to the affirmative action programs by the Department of Agriculture coupled with some effective enforcement.

The last set of recommendations, reflected in my prepared statement, revolve around the provision of water and waste treatment facilities in rural areas.

With regard to these recommendations, we recommend that the subcommittee considers three areas of national policy to improve the situation.

First, the application of appropriate water and sewer treatment technology and standards for rural places, especially noncentral treatment systems which are far less expensive than central systems based on urban models that are being required in rural areas.

Second, strengthening of Farmers Home Administration to deliver that technology; and third, the expansion of Farmers Home functions on the local level to coordinate water, sewer, housing, and economic development programs.

Farmers Home presently funds only central systems although there is no restriction in the law funding noncentral systems. They should be urged to consider sound alternatives if only because noncentral systems can cost much less than systems they now fund.

Let me cite a case study. Fountain Run, Ky., with a population of 302 had water and waste water pollution problems. They found out pumping the town's sewage to a regional treatment plant, which is the quintessential central facility, would have cost $1.2 million.

The second alternative was a central mechanical sewage plant that would have cost approximately $250,000. Both of those would have been funded by Farmers Home.

The town clearly was unable to foot the bill. They decided to keep the basic home septic system, clustering the treatment and disposal where necessary.

This treatment system only cost $140,000 but it was funded by EPA, since Farmers Home would not approve this system.

It is instructive to note that in fiscal 1976, Farmers Home sewage treatment loan grant program did not fund any facilities in towns with median incomes below $3,000. Surely, this is not because these low-income towns did not have waste water problems. To the contrary, they probably just couldn't afford the system that was required by Farmers Home.

Conventional wisdom has it that central systems are far better than individual treatment systems, yet in the State of Illinois, which once had that same automatic and negative response to noncentral systems, when they finally investigated the conditions in small towns after central systems were installed, they found that the water pollution in some communities was worse.

Central systems are called for and they certainly should be in many growing communities, though more economical systems, such as oxidation ponds rather than mechanical treatment plants, must be explored.

For example, a small community on the Eastern Shore of Maryland is now spending $8,000 a year for electricity to keep their mechanical sewage plant going. This is many times the cost of operating that plant when they originally built it.

That job could have been done free by the sun if oxidation ponds had been constructed instead.

Farmers Home research and technical assistance capabilities must be broadened so the agency can deliver appropriate technology.

At present their TA is simply to tell a town that they ought to hire an engineer. That is extremely negligent administration on this score.

One final point. Farmers Home should be responsible for coordinating water and sewer programs on a local level. To reach users charges that low-income communities can afford, small towns often have to mesh three or more Federal and State programs. In addition, water and sewer lines do no one any good if the users do not have the money to connect into the system or to add the necessary indoor plumbing. Farmers Home housing programs can provide such funds for many low-income households, a condition which strengthens support for the Agency taking a lead role in rural development program coordination.

I will take any questions if you have any time.

Thank you.

Senator BENTSEN. Thank you very much, Mr. Noll. You have given us some interesting insights on some of the pragmatic approaches we ought to be taking to accomplish rural goals, rather than trying to use a big city approach for such things as sewage treatment and water supplies.

[The prepared statement, with an appendix, of Mr. Noll follows:]

PREPARED STATEMENT OF PAUL F. NOLL

I am Paul F. Noll, Research Director of the Housing Assistance Council. The Housing Assistance Council is pleased to have this opportunity to testify before you today on the economic problems facing rural communities. We have elected to focus our comments upon housing and community development issues, for the experience of the Council since its creation is primarily in these areas.

We wish to commend the Subcommittee, and its cochairman, Senators Bentsen and Humphrey for holding these hearings.

The Housing Assistance Council is a national nonprofit organization that seeks to improve housing conditions for the rural poor through a diverse program of predevelopment loans, training, technical assistance, research, and information services. During its nearly six years of activity, HAC has had extensive field experience in the operation and effectiveness of Farmers Home Administration (FmHA) rural housing and community facility programs. We base our recommendations not only on this direct experience, but also on the knowledge about rural housing needs and the economic impact of federal housing policy which our research and analysis activities have yielded.

THE SCOPE OF THE PROBLEM

Rural areas continue to suffer from many years of neglect of their housing and community development needs. Just as rural areas differ from our urban centers in the nature of the problems, they require a public response which has its roots in their unique characteristics and strengths. It would be useful to list briefly the major elements which affect economic underdevelopment in rural areas:

A. *Rural housing conditions receive little national publicity*, although conditions are far more severe than in most urban ghettos. (Fact: less than one urban housing unit in ten is substandard, while more than one rural unit in five is substandard. For rural minorities—Blacks, Indians and Spanish-speaking—nearly two out of three units are substandard.)

B. *Rural areas suffer from severe poverty.*—Approximately 40% of the nation's poor live in rural areas, which contain only 31% of the nation's population. (Rural median income in 1974 was $10,300, compared to $11,400 for urban areas.)

C. *Absence of basic facilities.*—Nearly 30,000 small communities lack water or waste disposal facilities—facilities which are the prerequisite for industrial and housing development.

D. *The private sector housing delivery system is inadequate.*—The components of the system—land developers, architects, realtors, lenders, attorneys—which we take for granted in larger towns, are not always to be found in rural areas.

E. *Public agencies are absent.*—Housing authorities, planning commissions, renewal agencies, and other bureaucracies are nonexistent, or understaffed. In many instances, even the local government lacks the staff and skill to obtain federal resources.

F. *HUD's efforts and resources are directed at solving the city's problems.*—Rural areas are a low priority in the agency.

G. *Rural areas lack basic services and resources:* Public transportation, doctors and medical facilities, adequate education and recreation for children—are not available in many rural communities.

H. *A declining economy.*—When all of the previously mentioned factors are added to higher unemployment levels, brought about by shifts in farming, mining and traditionally rural jobs, the result is an undeclared crisis—one that is crying out for sensitive and understanding federal assistance. (In other rural areas—unchecked growth of industries which will be operating only a short time endangers the fragile economy.)

Speaking at Dallastown, Pennsylvania, in September 1966, President Johnson said:

"History records a long, hard struggle to establish man's right to go where he pleases and to live where he chooses. It took many bloody revolutions to break the chains that bound him to a particular plot of land, or confined him within the walls of a particular community.

We lose that freedom when our children are obliged to live some place else, that is, if they want a job or if they want a decent education. Not just sentiment demands that we do more to help our farms and rural communities. I think the welfare of this Nation demands it. And strange as it may seem, I think the future of the cities of America demands it, too . . .

The cities will never solve their problems unless we solve the problems of the towns and the smaller areas."

There are no "suprise" solutions. They have been mentioned before. We all know what is required: a recording of our priorities, an increased commitment—especially dollars, and more people to work on solving the problems.

I would like to discuss five recommendations that HAC considers necessary to improving rural housing and community development conditions. They are:

1. Establishment of a national rural housing and communitiy development policy.
2. Reorganization of the government programs by increasing FmHA's role.
3. Increasing the allocations and staff for rural housing programs.
4. Providing a sensible water and waste treatment infra-structure.

5. Providing a meaningful role for states and sub-state governmental units.

Recommendation.—Establish a national rural housing and community development policy.

The dimensions of the economic problems faced by rural areas are known. Basically, they include too little of everything—jobs, services, housing, income and educational opportunity, and a continuing flow of people from rural areas to the cities. This does harm to both the cities and the countryside alike.

The result is a rural America with space to spare, but lacking opportunity—and ironically, an urban America with opportunity for many, but starved for space for the residents to move about in, and enjoy.

We, as a nation, seem to have an unplanned policy of exporting rural problems to the city. The message that has been sent out for decades is that if you want opportunity, move to the city. If you stay in the country, we'll admire your rugged individuality, which is another way of saying we won't be able to provide you with the services we provide your urban counterparts.

The rural economy is rarely viewed in its own right, but rather as a prop and support for the urban economy. Rural areas provide urban areas with energy, resources, timber, minerals, and food. To that list of resources should be added "people". Rural people have often been viewed as an exploitable resource for the city. We have vivid images of the wastelands created by the strip miners, the desolated landscapes and abused economies they have left behind. Will the extraction of the coal from the western states result in five or six more West Virginias?

A look at the allocation of federal resources shows that our national spending pattern encourages movement to cities. "Government Services to Rural America" is a report prepared annually by USDA. In the latest report (through fiscal year 1975), in the three major areas affecting the economic life of rural areas—human resource development, housing, and community and industrial development, it shows a per capita federal outlay of $273 in metropolitan counties, and only $240 in nonmetro counties. Metro areas are receiving about 14 percent more per person. This disparity has been recorded every year since they began producing the report.

Recent legislative efforts, which allocate 20 to 25 percent of HUD's housing and community development assistance to nonmetro areas, guarantees that some of the dollars will flow to nonmetro counties, but even that amount is not a fair share. A few months ago, GAO recommended in its report that a nonmetro fair share of CDBG funds mean an allocation of near 40 percent.

Unless the nonnmetro share is increased, and the spending bias in housing, human resource and community development programs reversed, we will continue to have a depressed economy in rural areas.

It is important that efforts to create rural development goals and allocations of resources be made. The re-creation of a Council for Rural Affairs, to deal with these larger issues is one possibility. The Domestic Council, which superseded the CRA, is dominated by urban interests, and has distinctly urban focus.

A second step would be the enthusiastic commitment of the USDA to coordinate a national rural development program, which became their responsibility with the passage of the Rural Development Act of 1972.

Some of the major questions that must be addressed if we are to have a national rural growth policy are:

1. What share of housing and community development resources are to be allocated to rural areas?

2. Among states, how should they be allocated?

3. What are the prospective roles of FmHA, USDA, HUD, EDA, EPA and SBA?

4. Is reorganization of the local government structure required, and if so, how is it to be accomplished?

5. How are rapidly expanding areas (new energy resource development) to be assisted in development so that they remain viable over time?

6. How are declining areas to be stabilized? How do we provide rural people with an option to stay?

7. Can quantifiable targets be set, by which to measure progress, and determine the accountability of responsible parties?

Recommendation.—The Federal administration of community development and housing development programs for small towns and rural communities should be restructured. Increased coordination is necessary. FmHA should be given the lead role and additional responsibilities.

Major responsibility for the administration of rural housing and community development programs presently lie with Farmers Home Administration (FmHA), in USDA, and with HUD. Other programs such as business loans, water and waste treatment programs, farm labor housing, and winterization are scattered across the bureaucratic landscape in CSA, EPA, SBA and DOL. The result is high administrative costs, duplication of services, unserved areas caught between agencies, and worse of all—confusion and frustration with all the red tape on the part of the rural people who should be benefiting most from these programs.

For example, HUD is required by law to make 20 to 25 percent of its CDBG funds in nonmetropolitan areas. FmHA also supplies limited forms of community development assistance, such as water and waste treatment, community facility and recreation loans, as well as most of the housing to many of these same communities. There is also EPA with a waste treatment program and some states have water system grants. Communities, as a result, must deal with a number of agencies to get a complete package of community development programs. What these communities often find is a nearby FmHA office, which understand the problems, but lacks funding flexibility, and a distant HUD, with flexible funds, but with its priorities and its expertise focused on the large metro centers of the land. They find conflicting regulations. (Catch 22's), and only a few communities are successful with all agencies so that only they have a complete approach to the solution.

HUD makes more money available to metropolitan residents ($14 per capita) than to nonmetro residents ($5 per capita).

This same urban bias distorts HUD's housing production distribution as well. The series of reports "Government Services to Rural America" show that year after year, between 85 percent to 90 percent of HUD's housing dollars are spent in metro counties, where only 58 percent of the substandard housing is located. There have been no legal restrictions placed on HUD's operating its programs in rural areas. But HUD grew out of the urban disorders of the 1960's, and ever since it has maintained this predominant urban focus. (See table I)

Rural programs would be lost and smothered if they were transferred to HUD. HAC is opposed to the consolidation of FmHA programs with HUD's if they are to be consolidated under HUD's aegis.

TABLE I.—PER CAPITA FEDERAL OUTLAYS: HOUSING PROGRAMS

	Fiscal year—				
	1972	1973	1974	1975	4-yr total
Total dollars (billions)	22.1	19.0	15.4	15.9	71.5
Dollars per capita:					
All areas	109	94	73	75	351
Metropolitan	127	106	83	85	401
Nonmetropolitan	61	61	49	50	221

Source: Government Services to Rural America, 3d through 7th Annual Report of the President to the Congress.

A much more fruitful direction would be to expand the FmHA role. The nonmetropolitan share of the deep subsidy Section 8 program, the nonmetropolitan shares of the CDBG program, among others, could be administered by FmHA to the greater benefit of rural areas. This could be a first step. More extensive changes— such as, direct CDBG appropriations for FmHA, consolidation of all the water and waste programs under FmHA aegis could all be accomplished in subsequent years. The goal would be to achieve a Rural Housing and Development Agency, with primary responsibility for housing and community development activity in rural areas.

Recommendation.—Rural housing programs are inadequately funded; FmHA's staff must be enlarged. A reordering of functions and priorities within the staff must take place.

Since the establishment of quantified national housing goals in 1968, FmHA has approved over $15 billion in rural housing loans and grants. Only 6 percent of the housing funds appropriated for FmHA since 1968 have not been used.

Nearly all of the unspent appropriations occurred in two years, 1974, when President Nixon's moratorium on subsidized housing resulted in $375 million in unused funds, and 1976, when recissions and bureaucratic footdragging resulted in nearly $500 million not being used.

One might think that we would be only 6 percent short of our goal. Such is not the case.

Nearly 2,000,000 subsidized housing units should have been built in nonmetropoiltan counties in the decade since 1968. While only one year remains in that decade, FmHA and HUD combined have produced only slightly more than half the target, 1,000,000 units. Since the moratorium, HUD's subsidized housing production in rural areas has been pitifully small—some years producing as few as 14,000 units. FmHA has been producing in the 80,000 to 90,000 range throughout the 1970's This production level has been steady, despite regular growth in appropriation levels. Unfortunately, nearly all the increases in appropriations have been eaten up by inflation.

We can reach no other conclusion but that the housing programs have been underfunded. If the goal is to be reached, FmHA must be funded to a level where they can produce approximately 180,000 to 200,000 units a year.

There is strong linkage between the health of the rural economy and the housing and community development programs of FmHA. FmHA housing programs alone keep some 250,000 persons employed each year—100,000 in actual housing construction, 30,000 in land development, and 120,000 in related industries.

Consider fiscal 1976's unspent $500 million in housing funds in terms of jobs lost. That money would have provided 24,000 new housing units in rural areas. Those 24,000 houses and apartments would have provided 48,000 additional jobs in rural areas. Recently, it was estimated that, on the average, each FmHA professional staff persons approves enough loans a year to put 50 persons to work in housing and related industries. That 1 to 50 ratio is good leveraging of the federal dollar.

But this is only part of the argument for providing FmHA with additional staff.

Another reason is the need for more counseling and outreach. Traditionally, FmHA staff not only made housing, farm and community facilities loans, but they also provided the farm family with large doses of counseling and budgeting assistance. As the programs grew in number, and complexity, and the loan portfolio per employee grew as well, the hard-pressed employees cut back in the software programs—counseling and outreach. (States and other organizations, learning of the 1 man to 50 jobs ratio provided FmHA with gratuitous personnel, who helped make loans, but did no counseling.) Travel monies for the staff were cut, staff positions were reduced and counseling took an even lower priority.

At the same time, more and more rural people joined the unemployment rolls, utilities costs skyrocketed, and families began falling behind in their mortgage payments, resulting in an increase of defaulting on FmHA loans, although still a small amount compared to the overall volume. FmHA's reaction encouraged a worsening of this vicious circle. They cut back on making new loans in areas where defaults were high. The impact of this decision was to lower construction activity in precisely those areas where it would have helped most to bolster the economy.

None of our comments of the FmHA staff and housing funds presumes that FmHA will remain a static agency. They themselves must review the county office distribution, the responsibilities of the state and district offices with regard to programs, and the specialization of work with the field staff. But when these hoped for internal adjustments are made and reinforced with more staff and higher levels of appropriations, it is expected that the possibility of reaching the 1968 goals for rural areas will once again be discussed.

One last point about FmHA staff and appropriations. Ever since FmHA set affirmative action goals with regard to housing loans, the share of loans to minorities, particularly Blacks, have dropped, year after year. This continual shortfall has not been given too much attention, and when it is brought to light, the unsuitablity of FmHA's programs to house the very poor—the class in which a disproportionate share of the minorities fall—is cites. Three distinct thrusts are needed: a) more "outreach" efforts which means assigning staff the specific responsibility to generate loans among minorities, b) deeper subsidy programs. The rural rent supplements that are finally getting underway is but one tool providing a deeper subsidy otherwise needed. A comparable program must be devised for those desirous of ownership. Extension of the Section 504 very low-income repair program's grant provisions to all rural families is still another possibility. The HUD Section 8 set aside to FmHA should be increased, and c) an increased commitment to the affirmative action program, coupled with some effective enforcement is needed.

Recommendation.—FmHA should fund non-central water and waste treatment, where appropriate. It must broaden its research and technical assistance capacities in cost- effective, environmentally sound water and waste systems. Its coordinating role in the local level must be strengthened to bring together housing, water and sewer, and economic development activities.

More than 10% of our nation drinks unsafe water or has inadequate waste disposal. In fact, more rural Americans drink contaminated water than the entire population of California.

The answer is not in abandoning rural areas, and no one suggests that. But the answer is also not in requiring in the name of rural development, expensive water and sewer programs based on urban models that run the risk of bankrupting low-income communities, or, conversely, if those programs cannot be afforded, looking the other way while the wastewater pollution and drinking water contamination in rural areas continue.

We recommend that the committee consider three areas of national policy that could improve this situation: First, the application of appropriate water and sewage treatment technology and standards for rural places; second, the strengthening of the Farmers Home Administration to deliver that technology; and third, the expansion of FmHA's functions on the local level in coordinating water, sewer, housing, and economic development programs.

We will limit our remarks on the application of an appropriate technology of those dealing with the encouragement of environmentally sound alternatives to central water and sewer facilities, if only because non-central collection and disposal can cost much less money than the central systems now required for FmHA funding. Fountain Run, Kentucky (population 302) which had water and wastewater pollution problems, discovered that pumping the town's sewage to a regional treatment plant (the quintessential central facility) would have cost $1.2 million. Clearly unable to foot that bill, the town decided to keep its basic home septic systems, upgrading and clustering their treatment and disposal where necessary. That non-central alternative, including public ownership and maintenance, cost 900 percent less than the regional treatment proposal and 80 percent less than the cost of a central, mechanical sewage treatment plant. But the system chosen by Fountain Run could not have been funded by FmHA because it was not a central facility, even though it established a public system for treating a whole community's waste.

It is instructive to note that in fiscal year 1976, FmHA's sewage treatment loan and grant program did not fund any facilities in towns with median incomes below $3000.[1] Surely not because low-income towns did not have wastewater problems! To the contrary—they could probably not afford the central system remedies that FmHA and many state departments of health require. The construction of these facilities would bolster the economy of these small towns by bringing in jobs and capital.

Texas, for example, considers small towns with septics as automatic polluters, giving them priority for funding on EPA's wastewater treatment grant program. This committee should note that Illinois, which once had the same automatic and negative response to non-central systems, investigated the real conditions in small towns and found that water pollution in some communities was worse after central systems were installed, and that proper operation and maintenance of septic systems (in many cases by the municipality) would have been the most environmentally sound and cheapest solution to pollution.

The emphasis on centralism has taken another toll—the provision of adequate housing in small cross-road communities that will never be rural growth centers. FmHA's rural rental housing projects—even those of 4 to 6 units—cannot be located in areas without central water and sewer systems, so low-income rural tenants now living in substandard housing in those remote places have no choice but to move into larger towns.

If central facilities are called for, and they certainly are in many growing communities, more economical systems must be explored, such as oxidation ponds rather than mechanical or physical/chemical treatment facilities, the use of smaller diameter pipes sufficient for lower densities, and the land application of effluent where stringent water quality standards apply. We will limit our remarks here to oxidation ponds, or lagoons; we do not contend that they are the only answer to successful waste treatment, but they can be an effective alternative to more complex facilities, as EPA's research studies have shown. For example, the approximately 100 households in Betterton, Maryland, are spending $8,000 annually for electricity to keep their mechanical sewage treatment plant going. That job could have been done free—by the sun—if oxidation ponds had been constructed instead. We should note that the economies in lagoon treatment lie in their low operation and maintenance costs; properly designed and constructed lagoons cost as much to install as small "package" mechanical treatment facilities.

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[1] We draw the committee's attention to an excellent analysis: "The FmHA Grant Program for Water and Waste Disposal Facilities: Promise and Performance." It was written by the National Demonstration Water Project and will be published Friday, June 17.

The point of these illustrations is that basic research into small environmentally sound and cost-effective wastewater systems needs to reach the countryside. This leads to our second recommendation: FmHA's research and technical assistance capabilities must be broadened so that the agency can deliver the appropriate technology.

For example, FmHA should provide technical information to small communities on cost-effective water and sewage solutions, regardless of the town's funding source. Simply telling a town to hire an engineer is negligent administration at best. Adequate technical assistance will require more staff, and more staff with appropriate technical skills.

Our last recommendation, elaborated on previously, is that in the absence of other local agencies performing this function, FmHA should be responsible for coordinating water and sewer programs on the local level. To reach user charges that low-income communities can afford, small towns often have to mesh 3 or more different federal and state programs. In addition, water or sewer lines do no one any good if users do not have the money to connect to the system or to add the necessary indoor plumbing. FmHA's housing programs can provide such funds for many low-income households, a condition which strengthens support for the agency's lead role in water/sewer program coordination.

In addition, FmHA should be appropriating front-end and training money for regional or cooperative public operating and maintenance systems. As we mentioned previously, it is commonplace for rural areas to be castigated for failing to operate and maintain water and sewer facilities properly, often leading to the continuation of pollution that the new central facility was designed and constructed to correct. Public operation and maintenance for individual or cluster septic systems is one alternative for some very small towns, and may go a long way to eroding state and national resistance to that alternative. But someone must take the lead in organizing these management entities—and that someone should be FmHA.

Recommendation.—Expand the role of the State and sub-State agencies. The public housing authorities in rural areas should be consolidated. Broader based development agencies, with wider powers should be created.

One of the major problems cited earlier is the lack of public agencies, including local governments, with the technical capabilities to obtain and implement federal housing and community development programs. State governments could help fill this void.

The record to date, however, is not encouraging. Many States have concentrated their housing activities in urban areas, particularly the suburbs. Additionally, they have minimal involvement in low-income housing programs. Nevertheless, HAC recommends that the state role be expanded, provided that it is coupled with a requirement that they assist localities in rural areas to an extent proportionate to their need.

In studies HAC has recently completed on public housing in rural areas, some surprising facts were uncovered. On one hand, after 40 years, there are still over 1,000 nonmetropolitan counties without a single occupied public housing unit. On the other hand, we have some counties with 5, 6 even 8 independent housing authorities, each operating only 10 to 20 units. Surely, a more rational system could be devised and carried out. Through federal inducements, the authorities could be consolidated until they reach a functional size. They could also expand into implementing other housing programs in addition to public housing. A number of States have already set up state-wide or regional housing authorities, and the experiences of the more successful ones indicate that this direction shows much promise.

I have attached a memorandum we have prepared reviewing State roles in rural housing. (See Appendix A.)

APPENDIX A

MEMORANDUM

State roles in rural housing

I. Emerging roles in housing for State government's

A. Federal government has reduced its initiative in low and moderate income housing in recent years.

1. Administration has relied on Section 8 housing program and disregarded others, e.g. traditional public housing, 236 with rent supplements, etc.

2. Trend is to increase State and local responsibilities in housing and community development, e.g. community development block grants (title I, Act of 1974), setasides of Section 8 for State agencies; Section 802, Act of 1974, encourages formation of State finance and development agencies with Federal guarantees and subsidies on taxable bonds.

3. States and public bodies are authorized (Act of 1974) to sponsor FmHA housing.

4. Act of 1974 gives States optional roles in standards for mobile homes, e.g. State representation on the National Home Advisory Councils; States get option to enforce and develop standards; States can receive grants for development of enforcement plans.

5. Several States have recognized and assumed a responsibility in housing.

II. Existing State Activity

A. Rural record not usually encouraging; States have tended to concentrate in urban areas; most activity with HUD; about 80 percent of HFA activity in suburbs;

B. Low income assistance minimal:

1. Assistance to low income limited to projects developed with federal rent supplement assistance or state subsidies.

2. Most of housing developed by states has been for moderate and middle income: 90 percent of housing produced by HFA's is for moderate and middle income; and

3. Recent activity has been with Section 8 according to council of state housing agencies.

III. Types of State Activity

A. Financing:

1. Tax exempt bonds have generated over 205,000 units with direct financing; need deeper subsidies to reach low income;

2. States indirectly finance housing with tax exempt bonds by buying mortgages, insuring loans; need deeper subsidies to reach low income;

3. State financing powers can be a big boost for Section 8 program—Act of 74 gives states processing concessions and set asides for financing Section 8 housing;

4. Construction financing: (*a*) for 515 and 502 (Pa., S.D.); (*b*) for public housing (with state grants e.g. Conn., Mass., N.Y.); and (*c*) for rural housing—matching grants (Colo.).

B. Subsidies—necessary to reach low income:

1. Until moratorium federal rent supps.;

2. Public housing programs by some states and state housing authorities (Maine);

3. Section 8 sets asides;

4. State rent supplements for 1ha tenants (Mass.);

5. State grants for development require that tenants only pay operating costs (Conn.); and

6. State appropriations for operating costs.

C. Development powers:

1. State should be developer of last resort to assure development of low income housing in rural areas; and

2. Development capacity safeguards interests of low income throughout development process.

D. Codes:

1. State can develop statewide building codes;
2. State can assume enforcement of codes;
3. Localities can be assisted financially to enforce codes locally (Conn.);
4. States can assist localities with enforcement with t.a. and HFA assistance for upgrading housing (Conn.); and
5. Caution: code enforcement can be harmful to low income if upgrading of housing or replacement housing is not available.

E. Technical Assistance and Training:

1. States usually have more resources than localities and nonprofit esp. rural ones.
2. Localities and nonprofits need expert t.a. to develop housing.
3. T.A. can be planned, targeted at certain group (LHA's) or areas, or on a request basis.
4. An information system—a newsletter—can be a useful t.a. tool.
5. Training session for localities and nonprofits can be spark to start housing activity in localities. (TX)

F. Statutory and administrative safeguards/goals:

States can legislatively or administratively require that a percentage of housing assistance go to rural areas on low income families based on need.

G. Other activities:

1. Tax incentives: (*a*) States can make partial or whole tax abatement more attractive to localities by reimbursing them for foregone taxes (Ill., Iowa, Minn., Oregon, Wisc., Mich., Vt., etc.); and (*b*) Exemption of increased tax assessments for rehabbed housing.
2. Predevelopment loans (low interest or int. free);
3. Revolving land (development) fund (W. Va.);
4. Eminent domain powers to insure low income housing development; and
5. Assist FmHA e.g. with packagers, staff.

IV. Ideal State Housing Agency

A. Should have support of governor, policy body and chief.

B. Strong housing policy, backed by state, to support housing for low income and in rural areas.

C. Structure:

1. A housing agency directly responsible to governor; and
2. Policy body should have minority, poor and rural rep.

D. State agency should have all powers listed under III above:

1. Financing;
2. Subsidies;
3. Development;
4. Codes development/in percent;
5. Technical assistance/training; and
6. Statutory/administrative guarantees to poor/rural.

Senator BENTSEN. Ms. Walker, you gave some very significant, rather startling numbers on rural health. I am a cosponsor of a bill, S. 708, which you may be familiar with. That basically allows medicare to reimburse clinics in the rural areas for services provided by both physicians' assistants and nurse practitioners.

Do you have any thoughts on that?

Ms. WALKER. Other than to say it is a very good bill and it is needed.

There were some problems originally with the bill; nurse practitioners and physicians' assistants were both considered to be physician extenders.

Nurse practitioners are different from physicians' assistants. Many times physician assistants are called physician extenders, but nurse practitioners are not.

The way the bill reads, I feel it will benefit rural areas and rural residents.

Senator Bentsen. One of the reasons I asked you to testify is that the State of Texas is one of the medically underserved areas, particularly in the rural areas.

Is any project going on in Texas that this subcommittee would benefit from hearing about?

Ms. Walker. I think that investigation into rural health initiatives, the way they are being implemented, the criteria for awarding the grant funds, and how projects are selected would be worthwhile in terms of investigation.

Senator Bentsen. Could you give us some written input on that which we can add to the record?

Ms. Walker. Yes, sir.

Senator Bentsen. I would appreciate that very much, Ms. Walker.

[The following information was subsequently supplied for the record:]

A brief description of the Rural Health Initiative (RHI) and Health Underserved Rural Areas (HURA) programs was included in the written statement submitted at the time of my testimony on June 15, 1977. In response to your request for more information, I would like to further comment on some of the problems in the application of these programs.

Sixty-three percent of Texas' 254 counties are designated as medically underserved. There are presently 18 Rural Health Initiatives and 4 Health Underserved Rural Areas projects operating in Texas.[1] Both programs are in this year's second funding cycle, and several new RHI/HURA projects are expected to be funded later this year.

Several problems have arisen with the RHI/HURA programs, and Texas counties have experienced difficulties as a result.

> The expectation that each RHI project will be able to continue without further financial assistance after three years is unrealistic. Socioeconomic conditions in many areas of rural Texas will not permit self-sufficiency, at least in such a short period of time.
>
> HEW's Region 6 office has done little to alert the communities in designated medical underserved areas that they are eligible for assistance under the RHI program.
>
> Little technical assistance is provided to communities as they attempt to obtain RHI funding and to communities as they develop their RHI after receiving funding.
>
> A fundamental difficulty with the RHI program is that it is *medically* oriented as opposed to *health* oriented. It does not provide assistance for development of transportation, social and environmental services which are essential to health care. As a result, while RHI's deliver some medical care, many cannot be said to deliver primary health care.
>
> Finally, while there is a wealth of evidence to support the fact that the practice of rural medicine is not cheaper than the practice of urban medicine. Rural Health Initiatives are eligible for funding at a rate $125,000 per year less than Urban Health Initiatives.[2]

Senator Bentsen. Mr. Witts, you talked about Government loan guarantees and rural credit needs.

Which of the programs do you think are the most effective in that regard and ought to be expanded and which do you think are not and ought to be eliminated?

Do you have any feeling or any specifics?

Mr. Witts. I do not, Senator. I am not knowledgeable about the details of them. I readily acknowledge the validity of your opening remarks that our programs are fragmented.

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[1] Department of Health, Education, and Welfare Region 6 Office, Dallas, Texas.

[2] RHI's are eligible for up to $200,000 per year, UHI's for $325,000.

I think we need a more cohesive policy to expand those programs into the areas of need. There are all kinds of really, really good people who are deserving and who love the rural lifestyle.

You know, you either love it or hate it. But there are those whose credit standing is not sufficient to enable them to acquire operating capital or loans or who have the equity demanded for investment in rural areas.

Which of the programs are the most effective? I do not know. I do feel that existing governmental structures are there to implement the programs without the creation of a series of new agencies.

I think the structures that are there and on the ground can accomplish a cohesive, expansive program, not of handouts, not of giveaways, but of opportunities through funding that will be paid back.

Senator **Bentsen**. Of course, you are a supporter of deregulation of natural gas, I take it from your testimony?

Mr. **Witts**. That is true. I agonized over that for the past 20-odd years since first working for the Natural Gas Resources Committee.

Senator **Bentsen**. Let me pose a very practical problem that results from what I believe to be very bad administration on the part of the Federal Government with regard to the natural gas problems of this country.

It has led us into a very difficult situation. For example, in Texas, consumers are paying, say, $2 for their gas, while the rest of the country for a long time has been paying 52 cents.

As you can understand in that kind of situation, people are not selling into the interstate market. You have a 20-percent deficiency in the interstate market.

How do you avoid the distortion to the homeowners in Texas caused by an incremental purchase in the interstate market of 15 or 20 percent? The problem you have is they can come in with 52 cents for their existing contracts and they can bid almost anything to add that extra 15 percent.

How do you protect your homeowner in Texas who already pays a substantially higher price because we believe in the free market system down there and we brought about great additional supplies of gas.

Now, what you are getting is an artificial and almost rigid situation. How do you handle that?

Mr. **Witts**. Do you mean how do we protect——

Senator **Bentsen**. The homeowner in Texas or a producing State?

You have an interstate pipeline that comes in and they have a 15-percent deficiency. They start with 52-cent gas, artificially low, a subsidized rate in fact; but, if they were to come in and make a purchase in a free market system where they could purchase at any price they want, to pick up another 15 percent, they can pay an extraordinarily high price and when it is put together with their 52-cent gas, they deliver their gas very cheap to their consumer but they have affected the marketplace in the producing State to a point that may be unrealistic.

How do you handle it?

Mr. **Witts**. If I understand your question, the increase—the interstate market would increase their purchases of local gas paying an incrementally higher price?

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Senator **BENTSEN**. We had one who testified and said, "I could pay $7. I am just picking up 15 percent of my supply. When I mix that with my 52-cent gas, I come up with a very cheap rate."

I don't expect that kind of a price to be paid but it is an extreme example.

Mr. **WITTS**. The gas, of course, like oil and water, are finite. At some stage it is going to run out. However, it is my belief that we are still better off letting the free market regulate supply and demand than trying to artificially regulate a commodity price, because, sure, prices are going to go up, but at least you will have some gas.

Otherwise, you are going to have low prices and no gas. It makes no sense to me to subsidize the OPEC nations with $15 oil while freezing the American price at $5.

All we are doing is perpetuating a situation that is totally destructive. At some stage we are going to run out of oil and gas.

The free market——

Senator **BENTSEN**. So, we have to buy as much time as we can and encourage the production as much as we can, to give us the time to make the conversions to nuclear or coal or solar or geothermal and all the rest?

Mr. **WITTS**. Whatever ultimate situation we come to is not going to be an overnight remedy. As you know, we are years away from solar, nuclear, coal or anything else.

The free market price will buy more time to convert and we are still better off paying American producers $2 or even $3 for gas than we are paying the Russians and the Algerians $5 for gas at the wellhead and then having to transport it back over here.

That, to me, is a greater distortion and a greater inequity than paying American people a fair market price for their product all of which gets back into our economy rather than slipping behind some sheik's camp in the desert.

Senator **BENTSEN**. Mr. Partridge, in your prepared statement, there is an indication that some of the rural electric cooperatives experimented with peakload pricing and encouraged their customers to shift their demand to the off-peak hours. How is it working?

Mr. **PARTRIDGE**. Of course, this has only begun, Senator.

Thus far, it is working and seems to be acceptable. We expect that we are going to see more of these kinds of load management techniques, peakload pricing, time-of-day pricing.

Undoubtedly, we are going to see rather drastic revisions in the methodology of pricing electric power. Of course, part of it is a matter of conservation of energy, reduction in the generating capacity required, efficiency in fuel use, and so on.

We are hopeful that we can do quite a bit to shift our loads to what have been off-peak periods through pricing and other mechanisms.

Senator **BENTSEN**. The President's program on switching from gas-fired boilers to coal—how is that going to affect the rural cooperatives?

You talked about 45 percent being fired by coal. I don't think that is specifically related to the rural cooperatives or is it?

Mr. **PARTRIDGE**. No; you are correct, Mr. Chairman.

The 45 percent figure which I used relates to the electric power industry as a whole. Actually, the percentage of electric power generated with coal in cooperatively owned powerplants is much higher than that, something on the order of 80 percent.

Senator BENTSEN. So, it is not much of a problem for you?

Mr. PARTRIDGE. It is a problem where we have gas-fired generating plants, because, as the discussion you just had with Mr. Witts indicates, we cannot rapidly change from gas-fired generation to something else.

We can change to oil, although that is a bit like jumping out of the frying pan and into the fire.

We cannot convert from gas-fired boilers to coal-fired very quickly or economically.

As a matter of fact, in most instances, we might as well start over and build a new plant.

So, in those areas, Western Farmers in Oklahoma, Chugach Electric at Anchorage, Alaska, some of the generating capacity of Brazos in south Texas——

Senator BENTSEN. Absolutely. We get over 90 percent of our electric generation in Texas by natural gas.

It is a serious problem for us.

Mr. PARTRIDGE. Certainly, the Government could, by fiat, say you don't burn gas as a boiler fuel any more and make it very difficult or terribly expensive in any event to continue to do so; but really producers have no alternative in the short run than to use the gas-fired plants that they have.

We recognized as the energy situation has worsened that the time is certainly coming when we will not be able, as a matter of public policy, to continue to use natural gas as a boiler fuel, but there is no realistic alternative for many of us at this point or for the consumers who rely upon those powerplants for their electric energy.

Senator BENTSEN. Well, ladies and gentlemen, I have kept you longer than I told you I would.

I am very appreciative of your testimony. Thank you all very much for your contribution.

Mr. PARTRIDGE. Thank you, Mr. Chairman.

Senator BENTSEN. The subcommittee is adjourned.

[Whereupon, at 12:11 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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